

TESTIMONY

TO: The Honorable Pete Brungardt, Chair
 And Members of the Senate Federal and State Affairs Committee

FROM: Tom Jacob
 On behalf of Cigar Chateau, LLC
 Wichita, KS

RE: SB 462

DATE: March 14, 2012

Mr. Chairman and Members of the Committee:

I would like to address the proposed tax increase from 10-30% on OTP (other tobacco products) on behalf of my family owned tobacco shops in Wichita. Targeted taxes do not work.

There are less than 12 family-owned tobacco shops in Kansas that sell premium (handmade) cigars and only half these stores sell pipe tobacco. This targeted tax is a miniscule tick in the total tobacco tax revenue stream (about 5% (\$300,000) of the state's OTP tax.) The state received a windfall increase in tobacco and cigarette taxes in 2009 through SCHIP , plus the accompanying increase in the state sales tax. This proposed tax increase would threaten the ability of these family owned tobacco shops to remain in business.

Who is going to buy premium cigars in Kansas? You will drive more and more business to internet sales with absolutely no income to the state (tobacco tax and state sales tax are not collected), or over state lines. I would predict this proposed increase would result in less tax collected on premium cigars, and also the demise of the family owned, brick and mortar stores, in addition to the loss of jobs and livelihood of your constituents.

Another tax target, no longer a factor, is the "little cigar" category. It actually hardly exists in premium cigar sales, less than 1%, thanks to the FDA taking over regulation of tobacco products.

Please consider your actions.

Thank you for your time.

Tom Jacob
 Cigar Chateau, LLC
 3049 N Rock Road
 Wichita, KS 67226

Cigars and tobacco products internet distributors

Mike's Cigar Distributors Inc.
1030 Kane Concourse
Bay Harbor, FL 33154

Cigar International
6771 Chrisphalt Dr
Bath, PA 18014

Famous Smoke Shop
1100 Conray Place
Easton, PA 18040

JR Cigars
2589 Eric Lane
Burlington, NC 27215

Thompson Cigar
5401 Hangar Court
Tampa, FL 33634