

**TESTIMONY**

**TO:** The Honorable Caryn Tyson, Chair  
And Members of the Senate Committee on Assessment & Taxation

**FROM:** Whitney Damron  
On behalf of Swisher International, Inc.  
[www.swisher.com](http://www.swisher.com)

**RE:** SB 175 – Governor’s Tax Plan  
Proposed Increase in Tax on Other Tobacco Products (OTP)

**DATE:** February 13, 2017

Good morning Madam Chair Tyson and Members of the Committee:

I am Whitney Damron and I offer written comments today on behalf of Swisher International, Inc., in opposition to the Governor’s proposed 100% tax increase in Other Tobacco Products (OTP) outlined in his budget recommendations to the Legislature.

By way of information, Swisher is a leading tobacco manufacturer whose cigars, filtered cigars and smokeless tobacco brands include the largest-selling cigar brand in the world – Swisher Sweets, among more than a dozen other tobacco products including premium cigars, chewing tobacco and moist snuff. These products are taxed in Kansas as Other Tobacco Products.

Kansas currently taxes OTP at ten percent of the wholesale price, which is the same as the State of Missouri. The Governor’s proposal would double the state tax to 20 percent of the wholesale price.

OTP is taxed differently than cigarettes, which are taxed on a per pack basis. Since OTP is taxed as a percentage of the wholesale price, the State essentially gets a tax increase every year as the manufacturers raise prices due to input cost increases and inflation, which necessarily increases the wholesale price and the applicable tax at the wholesale level.

Included with my testimony is a chart from the Kansas Department of Revenue’s 2016 Annual Report. In the graph, you will see OTP taxes have increased every year from 2011-2016, as reflected in the report. If you looked at the chart for cigarettes, you would see declining revenues, except for the bump after the .50 cent a pack increase passed in 2015. We would suggest the Legislature recognize this unique feature of the OTP tax system and leave it as is.

Increasing these taxes only serve to driver consumers to alternative delivery methods, including purchasing tobacco products in low tax states, over the Internet, where enforcement of state tax laws is almost nonexistent and sources of contraband.

Kansas should not send a message to its citizens that they are better off purchasing consumer items in neighboring states or through alternative sources that avoid or evade Kansas taxes.

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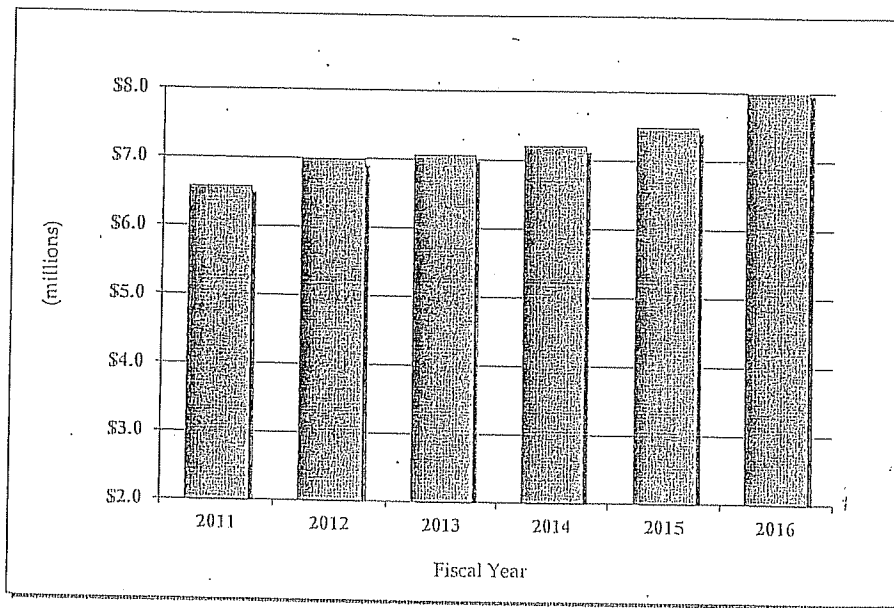
The ten percent OTP tax rate is the same as the State of Missouri. At least there is one product sold in convenience and grocery stores we are competitive with, unlike cigarettes, liquor, gasoline and food. Accordingly, Swisher International would ask this Committee to reject an increase in the OTP tax as suggested by the Governor and focus its attention on tax policy that is fair for everyone.

On behalf of Swisher International, I thank you for consideration of our comments regarding any consideration of a tax increase for Other Tobacco Products.

WBD

### Tobacco Products Tax to State General Fund after Refunds

The tobacco products tax was reenacted in 1972. The tax rate is 10% on the wholesale price of tobacco products.



<u>Fiscal Year</u>	<u>Amount Collected</u>	<u>Percent Change</u>
2011	\$6,572,849	3.5%
2012	\$6,978,181	6.2%
2013	\$7,056,779	1.1%
2014	\$7,201,144	2.0%
2015	\$7,481,708	3.9%
2016	\$8,040,450	7.5%