

Members of the North Dakota House Finance and Taxation Committee:

On behalf of the Premium Cigar Association and our member in North Dakota, we are writing to express our strong opposition to SB 2281, a bill that would impose an additional 32% tax on cigars, bringing the total tax on cigars to 60% of wholesale for consumers. This tax proposal threatens a single North Dakota small business that is virtually and solely reliant on the sale of premium cigars and will drive business to lower tax states that surround North Dakota. Minnesota and Montana have enacted premium cigar tax caps, and South Dakota is at 35%. In addition, SB 2281 will almost certainly drive consumers to on-line lower cost alternatives.

As you are aware, North Dakota's small businesses are the backbone of the local economy. These retailers operate on thin margins, providing specialty products to adult consumers who appreciate premium cigars. Imposing such a steep tax will have several negative consequences:

#### Hurt Local Retailers and Businesses

Independent cigar shops and small businesses will bear the brunt of this added cost. With fewer resources to absorb a 32% tax increase, many will be forced to raise prices substantially or risk closing their doors.

#### Limited Revenue for the State

While the intention may be to generate additional income for the state, overly aggressive taxation frequently reduces legal, in-state sales. The decline in sales volume can negate any projected gains.

#### Negative Impact on Consumer Choice

North Dakota consumers who enjoy premium cigars would either pay significantly more or be forced to go elsewhere for their purchases, limiting their options and discouraging in-state commerce, all while threatening the livelihood of a small and distinct number of North Dakota small businesses.

Your consideration of this position is appreciated, and please contact me with questions or need for additional assistance.

Glynn Loope

J. Glynn Loope, Director of State Advocacy

Premium Cigar Association

513 Capitol Court, NE, Suite 300

Washington, D.C. 20002

202-621-8064

(C) 540-968-0402

[Glynn@premiumcigars.org](mailto:Glynn@premiumcigars.org)

[www.premiumcigars.org](http://www.premiumcigars.org)