



## ND PETROLEUM MARKETERS ASSOCIATION

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### Testimony- HB 1403 and HB 1422

February 9, 2021- House Finance and Tax Committee

Chairman Headland & Members of the House Finance and Tax Committee:

For the record, I'm Mike Rud, President of the North Dakota Petroleum Marketers Association. On behalf of NDPMA and well over 1,000 retail store fronts, I stand before you urging a **"DO NOT PASS" recommendation on HB 1403 and HB 1422.**

North Dakota doesn't need business tax increases of any kind right now. I would agree with several NDPMA members who have commented to me in the last few days about how unlikely it was any candidate in last fall's election brought up raising taxes on the campaign trail. Yet, here we are having this debate one more time.

Why would any legislator support throwing a wrench into what has been a struggling economic retail engine as the pandemic drags on? Also, why would this legislative body support such onerous "user" taxes on the sale of legal products?

I think Mr. Williams's facts regarding the economic status of ND tobacco users bear repeating. Less than 20% of North Dakotans are tobacco users. A majority of this group fall into the low-income category, making less than \$15,000 a year. Only 14% of resident tobacco users earn more than \$50,000 annually. Right now, all tobacco and vaping products sold in ND are charged a state sales tax or more. In fact, I believe a 2018 Mackinac Study showed tobacco users in ND paid nearly **120 MILLION DOLLARS** in state and federal tobacco excise taxes! How much more tax burden should they be asked to absorb?

You would be hard pressed to convince me doubling or tripling the tobacco sales taxes on a group of residents in the state that can least afford it has any merit. Especially, in the wake of the failed 2016 initiated measure brought forward by the anti-tobacco groups which called for a

similar sized tax increase on the most financially strapped residents of our state which **ND citizens resoundingly shot down by a 62-38% margin.** Just like four years ago, NDPMA can see no justification for such a “Sin Tax” being leveled against economically stressed individuals wanting to purchase a legal product.

When has complete prohibition or prohibition by price worked in the past on other products in America? Mr. Williams rightfully points out increasing the excise tax could hurt legitimate retailers when adult smokers shift purchases to the internet or dark markets, like the reference made to the trunk load of cigarettes hauled in from a surrounding state and sold tax free. State and Local law enforcement are already strapped enough without having to deal with policing what is normally the sale of a legal product, but now suddenly could become a black market and tax evasion issue.

A majority of NDPMA retail outlets are independently owned and operated. Mom and Pop stores providing legal products and services to ND consumers. Contrary to what some might believe, North Dakota retailers don’t stand in the driveway or on the storeroom floor attempting to sell tobacco products. Businesses diligently educate and conduct trainings with employees to keep these products out of the hands of minors.

I truly believe the folks I proudly represent impress upon their employees the need to keep tobacco products out of the hands of minors. **ND retailers DO NOT want to see any tobacco or vaping products in the hands of minors!**

Like the food, pop and candy we sell, tobacco is a legal product. Retailers are doing all they can to meet consumer demand in a lawful manner. Don’t jeopardize the loss of legal business sales at the retail level. More importantly, don’t place an absurdly high tax burden on those in the state who can least afford it and who are already paying more than their fair share in taxes.

**NDPMA urges a “DO NOT PASS” recommendation on HB 1403 and HB 1422.**