



Dear Chairman Headland, Vice Chair Haggert, and members of the Finance and Taxation Committee,

My name is Kathy Gunlock, and I am here today on behalf of Core-Mark International. Core-Mark is a proud convenience distributor with over 8,000 employees. I am testifying today because HB 1570 threatens the livelihoods of the 150 stores we proudly service in the state of North Dakota.

HB 1570 proposes to raise the tax on cigarettes by 248%, smokeless products by 227%, and imposes a new tax on vapor and e-cigarettes that will raise their retail price by 56%. Theoretically, this should raise tax revenue, but history has shown us a different story. Since 2019, state excise revenue from tobacco products has fallen 22% in North Dakota. That's because tax increases only provide temporary relief and are an unsustainable revenue source.

Instead, what tax increases will do is harm local businesses. As one of the largest convenience store suppliers in the U.S., we have access to data that shows what happens when states ignore realities and implement high tobacco taxes. Last year, Maryland was that state. In July 2024, they implemented a \$1.25 per pack increase, not far off from the \$1.09 being proposed here.

What happened? According to data provided by MSAI, which tracks industry shipments, Maryland lost 15% of its cigarette volume. At the same time, the states directly bordering Maryland only saw a decline of 3%, far outperforming industry average declines due to historically low smoking prevalence. The projections were so bad that in a January 2025 hearing, the Office of Policy Analysis estimated that the state will lose 19.3% of their tobacco dollars by fiscal year 2026, just one year after implementation.

It's time we stand up for small businesses. Nearly 40% of the tobacco retailers in the state of North Dakota are independently owned single storefronts. Based on data from the National Association of Convenience Stores, tobacco and nicotine products make up nearly 35% of their in-store revenue. If this tax follows in Maryland's footsteps and they lose 15% of that revenue, the impact will be detrimental. Stand up for the locally owned independent businesses I work with every day and let them know you have their back by voting no on HB 1570.

Thank you for your time and thoughtful consideration.

Sincerely,

Kathy Gunlock

Tobacco Category Manager

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