

Joe O'Connor

Cigarettes/OTP Category Manager

Holiday/Circle K

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

My name is Joe O'Connor, and I am here today representing Holiday Station Stores in opposition to House Bill 1570. My primary reason for opposing this bill is that it will undoubtedly create winners and losers among businesses like mine in North Dakota.

Additionally, if one of the goals is youth prevention, we have a great track record of making sure we do not sell to minors, just like every responsible retailer in the business. Our employees are trained, rewarded, and even terminated (for only 1 infraction) regarding youth prevention.

I have a unique perspective because we operate 25 stores in North Dakota and an additional 280 in Minnesota. Observing our business across these two states is eye-opening. Minnesota has one of the country's highest excise tax rates on vapor products, at 95% of the wholesale cost.

At our store in Moorhead, MN, we sell 20 cartridges of vapor products per week. Down the street at my other Moorhead location, we sell a mere 6 cartridges per week. Crossing the border, I have 10 stores in the Fargo area, where those ten stores average 124 cartridges per week—a nearly 1200% increase. This holds true whether it is vapor, cigarettes, moist snuff, or any other tobacco category. In fact, nicotine pouches in Fargo were 3600% higher than their neighbors in Moorhead. Logically, we know that smoking rates are not significantly different across a 10-mile radius, so the only logical conclusion is that tobacco and nicotine consumers are actively choosing to leave high-tax Minnesota to find lower retails in North Dakota.

This bill proposes a 56% tax on vapor products and nicotine pouches, which are the two fastest-growing categories in the tobacco and nicotine market (and U.S cigarette sales are at historic low levels because of these products). You propose doing this at a time when South Dakota and Montana have no tax on these categories. The evidence above tells us that consumers will make the short one-hour drive down I-29 into South Dakota to save nearly half on their preferred products.

This tax is highly regressive. According to industry information this tax would add an additional \$430 tax burden on North Dakotans at a time they can afford it least.

This bill will also hurt locally owned businesses, resulting in fewer jobs while simultaneously failing to meet revenue projections. Please vote no on HB 1570.

Thanks

Joe O'Connor