

Chairman Weber and Members of the Committee,

I appreciate the opportunity to submit written testimony in opposition of SB 2281, which increases taxes on tobacco products. I am the manager of a convenience store located in Mayville, North Dakota.

Such taxes disproportionately burden the poor and small retailers.

Since the poor are more likely to smoke, North Dakota's low-income families would be hit hardest by this tax hike. In 2024, people with incomes below the poverty threshold smoked at a rate of 19.7%. Raising the cigarette tax would place a heavier burden on these families, who are struggling to get by in an already tough economy.

The proposed tobacco tax increase would also burden small businesses. In 2021, cigarette sales accounted for nearly 27% of all inside sales at convenience stores. More so, cigarette sales accounted for more than 10% of in-store gross margin. When out-of-state customers pick up a pack of cigarettes, they often also purchase gas, food, and other items that help North Dakota's economy grow. Many out-of-state tobacco consumers will travel for more affordable tobacco products. If we lose those out-of-state consumers, businesses also lose sales on gas, food, or other items that may also be purchased. A tobacco tax hike would erode North Dakota's competitive advantage over nearby states, like Minnesota.

The proposed tax increase will encourage more purchases to be made across state lines. As I previously stated, a tobacco tax hike would eat away at North Dakota's competitive advantage over nearby states. Smokers would be less willing to make the drive to purchase tobacco at a more affordable price. While tobacco is increasingly a social taboo, tax rate hikes in North Dakota will certainly harm North Dakota business owners, especially business owners in border counties.

As your constituents deal with higher federal tax rates and soaring health care costs, smokers and non-smokers alike would be best-served by avoiding this tobacco tax hike. Instead, North Dakota leaders should look to reform the tax system to lessen the burden on the poor, lower costs for small businesses, and keep the competitive advantage we currently have over neighboring states.

Sincerely,

Sarah Iverson

701-786-4078

Manager at Kotaco Fuels, Mayville, ND