



ND Petroleum Marketers Association ND Retail Association



Cigarette Stamping Testimony
Mike Rud

October 19, 2011; Interim Taxation Committee

Chairman Hogue and Members of the Interim Taxation Committee. For the record, my name is Mike Rud. I am the president of the North Dakota Petroleum Marketers and North Dakota Retail Associations. I would just like to share with you a few reasons why our association businesses **oppose** mandating cigarette stamping in North Dakota .

The cost to the wholesalers--both in the equipment needed to do stamping and the labor involved in placing the stamps on each pack. Who would pay this cost? At one time it was suggested that the state would reimburse wholesalers for the work. That proposal has never gotten any legs under it during a legislative session. Bottom line is if wholesalers need to recover costs it will be passed down the retail distribution chain, ultimately coming out of the consumer's pocket.

There is no way to assure that stamping does anything whatsoever to make certain each pack or carton is being taxed. Outside of the Standing Rock Reservation, if consumers are buying cigarettes on any of the Indian reservations the state has no jurisdiction there. I think the law was changed that allows consumers to buy a minimum of two cartons of cigarettes on a reservation. Who would be in charge of compliance? Tax Department? Local law enforcement? Highway Patrol? Attorney General?

I visited with both the Attorney General and John Quinlan at the tax department this past Spring about compliance and if they thought North Dakota was losing out on tax money because of its "no stamping" position. Both offices are confident the majority of cigarette sales are being accounted for in the state. Neither sees counterfeit sales or other types of fraud as serious issues. Also, while North Dakota retail cigarette sales benefit from higher taxes in our neighboring states

(MN, SD, MT), the percentage of smokers in our state continues to decline. So, a cigarette stamp tax would be regressive in nature.

We all know good government exists to benefit the people of the state. I can't see one group of our population that would benefit from cigarette stamping. Not the wholesaler, not the retailer and not the consumer. So what possible purpose would stamping cigarettes serve in North Dakota?

Again, I urge to **oppose this study** and concentrate on more needed things for our Great State.

Thank you for your time and consideration.