

Chair Atterbeary, Vice Chair Wilkins, and members of the House Ways and Means Committee,

My name is Kyle Feldman, and I am the Executive Vice President of Government Affairs for Century Distributors, a wholesale business located in Rockville, MD.

I am here today in opposition of HB 1073, which proposes to raise the cigarette tax in Maryland to \$4.50 per pack. As a long-standing business in this state, I urge you to vote again this bill for several reasons.

First, Maryland already has the 5th highest cigarette tax in the country, and its tax is higher than any of its border states. Increasing the tax by another \$0.75 per pack would only exacerbate the problem of smokers crossing state lines to purchase cigarettes at a lower price. This would not only lead to a greater loss of tax revenue but also create even more incentive for criminals to smuggle in illicit products and sell them at a lower price on the streets.

It is important to note that, based on the current tax rate, at least 28% of cigarettes sold in Maryland are already black market, illicit products according to the Mackinac Center for Public Policy. Due to that, it is estimated that Maryland is losing \$220 million in state revenue. Further raising the cigarette tax in Maryland will only result in more smuggling and even more lost revenue. If you don't think that would happen, take a look at the state of New York, which has the highest cigarette tax in the country. As a result, approximately 54% of cigarettes are smuggled into that state. Please don't follow down the same path as New York.

Second, adult smoking rates in Maryland are at historically low levels, having declined by 55% since 2001. Targeting such a small segment of individuals with this tax increase seems unfair and will not generate the revenue you desire. Additionally, over 50% of Maryland smokers earn less than \$50,000 per year. For them, absorbing this tax increase, especially in the current state of the economy, would be a significant burden. This could lead to further economic hardships for these individuals and their families.

I urge this Committee to vote again HB 1073. Instead of relying on regressive tax measures that primarily target a small group of individuals and will further fuel the smuggling of cigarettes into the state, I ask you to explore more effective and equitable ways to achieve your revenue goals.

Thank you for considering my views on this important issue.