

CIGAR ASSOCIATION OF AMERICA, INC.

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Bill number: HB732

Position: Opposed

Dear Chair Kaiser and Members of the House Ways & Means Committee,

We appreciate the opportunity to submit testimony in opposition to HB 732.

The Cigar Association of American, Inc. (CAA) is the national trade association of cigar manufacturers, importers, and distributors as well as major suppliers to the industry. Originally established in New York City in 1937 as Cigar Manufacturers of America, the CAA's roots date back to predecessor organizations prior to 1900.

We respectfully oppose the very significant tax increase imposed on premium cigars from the current 15% to 86%. The easiest way to demonstrate the detrimental impact such an increase would have on our industry and consumers of our products is using the example of someone purchasing a \$100 box of premium cigars. Under current law, the tax would be \$15 which is a significant amount of money added to the purchase. Under the proposed law, the tax would be \$86, making the purchase incredibly cost prohibitive.

We also oppose this legislation's proposed increase on pipe tobacco for the same reasons stated above. The current tax rate for pipe tobacco is 30% and the proposed is 86%. The logical thing for a Maryland consumer of our products to do is purchase the product in another state.

Our products represent a very small percentage of the tobacco tax revenue generated in Maryland. We believe that such a massive increase on both premium cigars and pipe tobacco would be a nominal increase in revenue assuming no change in purchasing habits by Maryland consumers of such products. In reality, however, we believe there would be a negative net revenue gain because Maryland consumers would go to other states for their products.