



# NATIONAL CONVENIENCE DISTRIBUTORS



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[www.thencd.com](http://www.thencd.com)

Dear Chair Griffith and Members of the Senate Finance Committee,

My name is Lori Rodman, Vice President of Sales with Century Distributors. We are a full-line convenience store distributor servicing over 2,000 retail locations in the Baltimore/Washington Metro area, Maryland, Delaware, and Northern Virginia. I am here today to express our opposition to Senate Bill 259. This bill has a direct impact on our business and the retailers we service in the State of Maryland.

We carry over 5,000 products in our Maryland warehouse including frozen and refrigerated items, beverages, health and beauty products, as well as tobacco products. I will tell you that flavored tobacco accounts for more than 40% of all tobacco products we deliver to stores. The tax collected in Maryland for these products is millions of dollars in both cigarette and OPT. In fiscal 2021, cigarette tax revenues were projected to total **\$299.0 million\***, and OTP tax revenues were projected to total **\$42.6 million\***. In addition, the State of Maryland sales tax rate of 6% is imposed on the final retail price of cigarettes and OTP. It is a key contributor to a retailer's overall sales and bottom line. Now, there are people who will claim that retailers can make up those sales elsewhere. That's not true. Consumers are already spending less in their stores due to increased product costs and high fuel prices. Retailers cannot afford to lose any more sales and revenue due to a flavored tobacco ban, or they will eventually be put in a position where they must cut back on employees or even worse, close their doors.

If Maryland does proceed in banning flavored tobacco products, you should also expect cross border sales. Adults will seek out their preferred products even if that means crossing state lines into Pennsylvania, Virginia, Delaware and West Virginia where flavored products are legal. Century Distributors is actually 1 of 5 divisions for National Convenience Distributors, which services 12 states along the I-95 corridor. Because of that, I am in a unique position to share some of the data and phenomenon that took place when Massachusetts banned flavored tobacco a few years ago. Let's take menthol cigarettes as an example. When the Massachusetts ban took effect, the menthol cigarette volume in that state didn't just disappear. Instead, our sister division based in Massachusetts, J. Polep Distribution, saw that very volume shift to stores in either New Hampshire or Rhode Island, where the menthol purchases in those two states increased by 59% and 24% respectively.

I agree with your goal of protecting our youth and keeping adult-oriented products out of their hands. There has been some recent FDA-funded data that shows youth are 10x more likely to drink alcohol, but that certainly doesn't mean those products should be banned either. Prohibition hasn't worked in the past, and it is not the answer now. Please don't give Maryland residents a reason to go spend their money in another state on legal adult-oriented products. Instead, our state should direct resources to support and strengthen the retail community with their current age-verification efforts for all adult-restricted products as well as provide funding for the necessary enforcement needed to keep unregulated and counterfeit tobacco products out of our community and away from our youth.

On behalf of Century Distributors, we respectfully request an unfavorable report from this Committee on SB 259.

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### Maryland OTP & CIG Taxes paid in 2022 From Century Distributors

OTP	Cig		Total taxes
7,659,623.70	55,425,752.58	63,085,376.28	