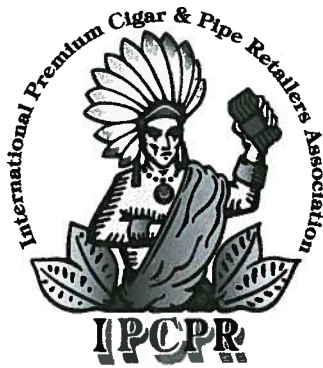


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December 6, 2013

Dear Members of the D.C. Tax Revision Commission:

On behalf of the International Premium Cigar & Pipe Retailers Association (IPCPR), a not-for-profit trade association representing brick-and-mortar retail cigar and tobacco shops throughout the United States, I would like to communicate our concerns with Policy Option #5: Unified Taxation of Tobacco Products. While IPCPR recognizes your goal to simplify the tax code and broaden the tax base, we believe this measure will have an unintended negative impact on small businesses in Washington, D.C.

Our retail tobacconists, the oldest of which has been a D.C. institution for over 125 years, sell premium handmade cigars, pipes, and related smoking accessories. The premium products carried by our members are unique from other tobacco products, and should be regarded differently than cigarettes one would purchase at a gas station. Despite this fact, the proposal would establish a sweeping tax rate of 80 percent, expanding the tax rate for cigarettes to all tobacco products.

Currently, Washington, D.C. collects 12 percent of gross receipts on cigars and smoking tobacco. Raising the tax to 80 percent represents a 68 percent tax increase on premium tobacco products. A tax increase of this magnitude is sure to affect sales and will place tremendous financial pressure on our members in D.C., ultimately jeopardizing the longevity of these small businesses.

Given Washington, D.C.'s geography, a tax increase will drive commerce across state lines to neighboring Maryland and Virginia where excise taxes on premium tobacco products are significantly lower than the proposed rate of 80 percent. When considering an excise tax increase, it is important to remember that consumers are not deterred by a short drive if taxes are lower in a nearby state. When Washington, D.C. raised its cigarette tax by \$.50 in 2009, the District saw an 11 percent net decline in cigarette tax revenue.

Furthermore, if this tax increase takes effect, local tobacco shops will become even less capable of competing with online retailers who do not levy excise taxes. The over-taxation of premium cigars and smoking tobacco encourages consumers to purchase products on the Internet, rather than supporting local businesses. Ultimately, the proposed tax hike will increase costs, decrease competition, and maximize the incentive for consumers to purchase tobacco products elsewhere.

We are greatly concerned that the burdens placed upon our members by an increased excise tax on premium cigars and smoking tobacco will impede the ability of these small businesses to grow and support the employee base they provide to D.C. Retail tobacconists already face onerous regulations. We request that you reconsider the inclusion of a tax increase on handmade premium cigars and smoking tobacco in your Policy Options for the D.C. City Council and the Mayor given the potential effects further taxation will have upon Washington D.C.'s retail tobacco stores. Thank you in advance for your consideration of this matter.

Sincerely,

Matt Dogali
Senior Director of State Legislative Affairs