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IN OPPOSITION - LD 210, Language Part "E" Increases To The Cigarette Excise Tax Rate
February 3, 2025

Chairs Senator Rotundo and Representative Gattine and members of the Committee On Appropriations and Financial Affairs, alongside Chairs Senator Grohoski and Representative Cloutier and members of the Committee On Taxation,

My name is Curtis Picard, I am a resident of Topsham and am the CEO of the Retail Association of Maine. Today, I'm representing the Retail Association of Maine and the Maine Grocers & Food Producers Association who are jointly opposed to LD 210 Language Part "E" increases to the cigarette excise tax rate. Our business trade associations represent Main Street businesses including independently owned and operated grocery stores and supermarkets, general merchandise retailers, and convenience stores, distributors and supporting partners — together representing more than 450 members statewide. Maine's retail sector employs more than 85,000 Mainers.

While we recognize and respect the public health concerns surrounding tobacco use, this targeted approach to fill a budget gap will have unintended economic and social consequences that will disproportionately impact Maine residents and businesses. Increasing the excise tax will negatively affect Maine's 1,480 retailers when adult smokers shift and reduce total purchases.¹ With heating fuel, electricity, and employee benefit costs significantly impacting retailers, we cannot sustain additional increased costs at the register. This increase will ultimately tighten the already thin margin in which our members operate. Tax increases negatively impact the economy by reducing consumer spending, putting pressure on household budgets, and limiting retailer sales.

We often find ourselves discussing Maine's proximity to New Hampshire and specifically their low tax of \$1.78 per 20-pack on cigarettes. This proposal seeks to create a significant incentive for consumers to cross state lines for lower prices. This shift in purchasing habits will particularly hurt small businesses near the New Hampshire border. Additionally, higher cigarette taxes often lead to an increase in illicit trade and black-market sales, which undermines public health objectives and deprives the state of legitimate tax revenue.

An excise tax increase could provide incentives for smuggling and other contraband activities, resulting in lost tax revenues. According to the former chief of the *Alcohol and Tobacco Enforcement Branch for the Bureau of Alcohol, Tobacco, Firearms and Explosives*, "The smuggling problem is pervasive. As many as one-fifth of all cigarettes purchased in the United States annually — about 3 billion packs — are sold illegally. Nationwide, these illicit sales result in \$3 billion to \$7 billion a year in lost tax revenue to states and localities."²

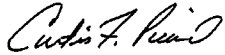
¹ Retail locations based on internal PMUSA data and rounded to nearest 10.

² Fox, Joe (2018) "The harm of Virginia's illicit tobacco trade" Washington Post, August 17;
https://www.washingtonpost.com/opinions/virginias-low-cigarette-tax-hurts-national-security/2018/08/17/ad3ee786-9f08-11e8-93e3-24d1703d2a7a_story.html

With last year's passage of LD 2028, which changed Maine's tobacco products definitions for tax purposes, a \$1.00 increase in the cigarette excise tax is now a 53% increase expected to add \$80 million to the \$150 million.

If revenue generation is the primary goal, we should seek balanced approaches that do not unfairly penalize specific groups of Mainers. For these reasons, I urge you to oppose any proposal to increase Maine's cigarette tax. Thank you for your time and consideration. I am happy to answer any questions you may have.

Thank you for the opportunity to provide testimony.



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