

2016 IWDA LEGISLATIVE WRAP-UP

CIGARETTE TAX

The 2016 Indiana short session was far from what we've come to expect during a typical election year. Normally legislators play it safe and while they generate a great deal of rhetoric in order to glean election support in the end little actually occurs. This year Speaker of the House Bosma (R-Indianapolis) generated a surprise proposal to increase the gas tax (\$0.04 per gallon) and an astronomical \$1.00 a pack, or \$10.00 a carton, increase in the cigarette tax. The tax increases were introduced by Rep. Soliday (R-Valparaiso) as part of the House Republican Highway Funding bill. IWDA, NATO and others lobbied aggressively against the tobacco tax increase. We were aided by Senate leadership, especially Senator Kenley (R-Noblesville), Senator Hershman (R-Buck Creek) and Senator Mishler (R-Bremen) as well as the Governor who consistently voiced his objections to any type of tax increase.

What was especially confusing about the tax proposal is that it was proposed by a Republican Speaker of the House during an election year. Typically, legislative leaders don't want to force their caucuses to vote for tax increases just prior to facing the electorate. While a case can be made for needing to increasing funds for road construction the tobacco tax proposal, besides having nothing to do with highways, had a punitive feel about it. Another disturbing facet is the fact that the Indiana State Chamber supported the tobacco tax increase.

We sincerely appreciate all the IWDA members who helped defeat the tax increase proposal by contacting legislators and urging them to oppose the tobacco tax increase. Tim McKinney of NATO deserves special recognition for appearing to testify very effectively both in the House and Senate in opposition to the tobacco tax increase. Had the increase been adopted, Indiana would have lost all the retail sales and price advantages we currently enjoy to Illinois (especially Chicago), Michigan and Ohio. In fact we would have been \$0.40 a pack higher than Ohio.

SB381

Licensed Indiana Tobacco Wholesalers are in the process of implementing the state mandated e-filing system. Costs to our members for developing the system and pay for the software development is significant and ongoing. Our best opportunity to offset these costs is through increases to the tobacco tax collection allowances. However, that is something that is very difficult to secure unless a tobacco tax **increase** is being implemented.

Just before the beginning of the 2016 session, our good member and industry leader Pat Carrico discussed the high cost of complying with the State's e-filing requirement with Senator Mishler (R-Bremen) and Senator Long (R-Ft. Wayne). As a result of that meeting Senator Mishler sponsored SB381 which as introduced raised cigarette collection allowance from \$0.12 per carton to \$0.13 per carton and OTP allowance from \$0.006 to \$0.007. Senators Kenley (R-Noblesville) and Broden (R-South Bend) signed onto the bill as cosponsors. The bill was heard

in Senate Tax and Fiscal Policy Committee and thanks to the Chairman Senator Hershman (R-Buck Creek) the bill passed out of Committee 13 to 0 and passed the Senate 49 to 1 (the one opposing vote was Sen. Lanane {D-Anderson} the Minority Floor Leader).

The bill then went to the House where it was sponsored by Representative/Doctor Tim Brown (R-Crawfordsville) who is also Chairman of the powerful Ways and Means Committee where the bill was assigned for hearing. Chairman Brown amended SB381 to include language repealing the Indiana Cigarette Paper and Tube Tax in its entirety. The bill passed the House 91 to 0.

Consequently, on July 1, 2016 due to the efforts of Pat Carrico and our legislative friends all members of IWDA will receive an increase in their collection allowances and will no longer be subject to the absurd Cigarette Paper and Tube Stamp/Tax law.

THE NOT SO GOOD NEWS

While we were successful in defeating the attempt to raise cigarette taxes this year, we have been put on notice that the legislature will probably consider comprehensive tobacco tax increases in 2017. We anticipate that by looking at tobacco taxes comprehensively the ridiculous dollar a pack proposed this year will be replaced with some more reasonable that does not put us at a competitive disadvantage with neighbor states to the West, North and East. Comprehensive also means looking at taxes on cigarettes, all OTP's, e-cigarettes and vapes. We expect IWDA to act as the industry leader and attempt to gather consensus from all segments on these definitions and tax proposals in advance of the session.

Vape manufacturing is still under the control of the Indiana Alcohol Tobacco Commission since the legislature refused to modify the Vape Law passed in 2015. Vape may only be sold by licensed manufacturers approved by the ATC effective this summer. There is a court case that could impact enforcement but has not **been decided** to date. Many of our members have been contacted by suppliers attempting to secure assistance from Wholesalers and IWDA to modify the law. Unfortunately, until the vape manufacturers organize an effective lobbying program or succeed in the court challenge the likelihood of changing the law is slim at best.

SUCCESSFUL SESSION

The 2015 Session must be viewed as a major accomplishment with all primary goals met. More and more industry members are recognizing IWDA's effectiveness and working with us to achieve a more effective response to legislative challenges. This trend needs to continue since 2017 promises to be especially challenging. **Also, the leadership example of Pat Carrico illustrates very dramatically how vital individual legislative interaction is to your business' wellbeing. We hope you'll give serious consideration to increasing your legislative contributions for this summer – it will pay dividends.**