



New England Convenience Store & Energy Marketers Association

PETER A. BRENNAN
Executive Director

February 24, 2025

Rhode Island General Assembly
House Committee on Finance
Room 35, State House
Providence, RI 02903

RE: Article 5, Sections 8-9 of HB 5076 – An Act Making Appropriations for the Support of the State for the Fiscal Year ending June 30, 2026 – NECSEMA OPPOSES

Dear Chair Abney and Members of the Finance Committee:

The New England Convenience Store & Energy Marketers Association (NECSEMA) represents convenience stores and gasoline retailers, independent transportation fuel distributors, and the businesses which supply them. NECSEMA members own, operate and/or supply the majority of the 550 convenience stores in Rhode Island. Our members are a significant contributor to Rhode Island's economy, employing over 8,800 people and remitting over \$750 million to the state's tax coffers annually. We play a crucial role in the state's commercial landscape, providing essential goods and services to residents, generating employment opportunities, and contributing to the overall prosperity of local communities.

NECSEMA supports a well-regulated marketplace where retailers can thrive. To thrive, our businesses need regulatory clarity and a competitive tax environment. Last year, the legislature enacted a \$.25 per pack increase in the state's cigarette excise tax, which raised the tax from \$4.25 to \$4.50 per pack, the fifth time that the state has increased the cigarette excise tax since 2009. This increase, which went into effect on September 1, 2024, boosted Rhode Island to the third highest in the country, behind only New York and Maryland.

Even though this tax increase just went into effect five months ago, the Governor's budget, in Article 5, Sections 8-9, seeks an additional cigarette excise tax increase of \$.50 per pack. NECSEMA is strongly opposed to this proposal and respectfully requests that the committee reject it.

The cigarette excise tax is a regressive tax that will hurt people who can least afford it the most. It will also hurt our retailers, as customers will seek lower cost options in the illicit market or simply make a short drive to a more tax-friendly market. When customers go elsewhere to purchase tobacco products, our businesses do not just lose the tobacco purchase, but the entire "basket of goods" that the customer would have purchased, including milk, eggs, lottery, gas, etc. In this scenario, the retailer loses revenue, which hurts the business and leads to hard

decisions for the business owner regarding staffing, hours of service and product offerings while the state ultimately receives less tax revenue because of reduced commercial activity at our stores.

Initial returns of the \$.25 tax increase that went into effect in September suggest that the state will receive less excise tax from this hike than was projected at the time, undoubtedly the result of customers seeking lower prices out of state or in the illicit market. In our opinion, it would be wise for the state to wait until it has time to accumulate additional data to analyze the impact of the previous cigarette excise tax increase on state revenue before pursuing another increase, especially as the impact of the previous tax on our retailers has not been fully examined.

Consequently, NECSEMA respectfully urges you to reject the proposed cigarette excise tax increase of \$.50 per pack in Article 5, Sections 8-9 of HB 5076. Please don't hesitate to contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter A. Brennan".

Peter A. Brennan, Esq