

My name is Robert Levin and I am the Owner of Holts Cigar Company in Philadelphia. I first want to thank the Committee for the opportunity to make this statement in support of our business and our over 90 Pennsylvania employees. Holts has been a fixture in Philadelphia since 1898 and my family has owned the Company since 1957. When my father acquired Holts it was a small retail cigar store across the street from City Hall. Over the years My father and I, and now my son, Sathya and my daughter Meera have worked to build the Company and we now have two retail cigars stores, a mail order business and our wholesale division which imports and distributes our brands, including *Ashton, San Cristobal, La Aroma de Cuba*, around the country and throughout the world.

We are proud that many of our 95 employees have been employed for many years, and we believe that our employees are the foundation on which our success is built. In addition to their salaries, our employees are provided with excellent healthcare and benefits. In preparing for this hearing, I reviewed our total tax payments to Pennsylvania and the City of Philadelphia. In 2008 we paid:

594,000 in Sales Tax

143,508 in Income Tax

8,900 in Common Stock Franchise Tax

330,579 in Payroll Tax

42,504 in Real Estate Taxes

75,300 in Use and Occupancy Tax

11,025 in Philadelphia Business Privilege

and 5,500 in Philadelphia Net Profits Tax

For a grand total of \$1,211,294 to the State of Pennsylvania and the City of Philadelphia.

Given this extraordinary tax, it is a wonder that my business can remain successful in Pennsylvania.

All of these taxes are merely the State and City burden on our operations. In addition to the normal federal taxes, Congress is poised to adopt and President Obama has announced he will sign into a law an astronomical increase in the Federal Excise Tax imposed on cigars that will more than double the price of most of the cigars we sell. The change will increase this single tax to 52.4% of the import price of a cigar with a maximum of \$.40. The implications for our business are staggering!

I feel like our Company is facing "The Perfect Storm": a dramatic recession affecting consumer demand and spending that appears to be around for some time to come; huge increases in the federal tax burden on our products; and now, the possibility that our products will bear an additional state tax burden which may be imposed on our products. The addition of an incremental state tax burden may well result in dramatic changes in our business, from lay-offs for our employees to the potential closing of our doors. The net result will be a decrease in our employment at a time of record unemployment and financial burdens from the loss in tax revenues from our decreased sales or relocation.

The cigar industry has a rich tradition in Pennsylvania. Tobacco growing and processing, as well as manufacturing were part of our economic foundation in the past. Even today 125 retail stores specializing in premium, hand made cigars, several factories producing popularly priced machine made cigars and 3 of the largest mail order companies specializing in premium cigars call Pennsylvania home. Collectively, our industry employs over 4,000 Pennsylvanians and provides them with healthcare and benefits.

My Company imports, distributes and retails hand made premium cigars. Of the over 5 billion cigars sold last year, premium cigars accounts for only 275 million of them. It remains a small, customer oriented, niche business. The average smoker of premium cigars only indulges in 2 or 3 cigars a week, at an average retail price of between \$2 and \$4 per cigar. The dramatic price increases caused by the new federal excise tax will certainly reduce these discretionary purchases. While all cigar smokers will have to bear the huge new burden imposed by the dramatic increase in the federal excise tax, imposition of a state tax will result in our retail and mail order customers buying cigars from out of state retailers and mail order companies. One of the reasons that mail order premium cigar companies have come to Pennsylvania is to avoid other states which have imposed OTP taxes on tobacco products. The three large mail order companies, and many of our employees would be forced to seriously consider moving another state where our business would be welcome, and not subject to OTP taxes in order to remain competitive in the marketplace. The net effect on Pennsylvania would be lose of significant tax revenues and many jobs. In addition, every one of our *Ashton, San*

Cristobal and La Aroma de Cuba cigars sold in the United States currently moves through our warehouse and shipping facility in Northeast Philadelphia. Imposition of a Pennsylvania OTP tax would also force me to consider moving this portion of our business out of state.

WE ARE NOT BIG TOBACCO! We are a small, family owned business that has been a loyal Pennsylvania business employing our citizens and paying our fair tax burden for over 100 years, and it is my hope to continue the business in our family with my son and daughter who have recently come to work for the Company. I was born and raised in Pennsylvania and hope to be able to continue the long-standing tradition of premium cigars in Pennsylvania. It deeply saddens me that the Legislature is considering the OTP tax which may result in moving a significant part of my business out of state.

I thank you for the opportunity to represent my family, my Company and our industry before you today, and I implore you to take the OTP tax off the table. With the damage to the industry it will cause, the State will receive more tax revenues and keep potentially thousands of good paying jobs, with benefits, here in Pennsylvania, and protect family owned companies like mine and our citizens from huge harm in these difficult and trying economic times.