



Commissioner Deborah Kafoury, District 1

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HB 2385

Co-Chair Barnhart, Co-Chair Berger and Members of the Committee, I am Multnomah County Commissioner Deborah Kafoury. I want to thank you for giving HB 2385 a hearing today.

As you know, counties have pursued legislation to lift the local preemption on tobacco taxes for the past couple of sessions. A similar version of this bill passed the House in 2009, but we ran out of time to move it through the Senate. We are asking for you to consider this concept again for three simple reasons.

First, local governments need more tools to raise revenue. Multnomah County, like most local jurisdictions, has very few options for raising local revenue to support essential services. Our primary source of revenue comes from local property taxes, which are limited by the Oregon Constitution to a growth rate of about three percent. At a time when State General Fund dollars are extremely limited, counties need more tools to solve problems at the local level.

Second, we believe a local tax can work in Oregon. According to the National Center for Tobacco Free Kids, more than 450 local jurisdictions have their cigarette tax rates or fees. Even the State of Virginia, a tobacco growing state, allows counties and cities to add a local tax on a pack of cigarettes. Alabama has 240 cities and 46 counties with their own cigarette taxes.

As you may know, in Oregon and in many states, cigarettes are taxed as the distributor level. Oregon, in fact, pays the distributor to administer the tax. We believe adding a local tax stamp on cigarettes would not be overly burdensome and any administrative costs (which are inherent in any revenue raising effort) could be passed along to the county. This has worked in other states such as Alabama, which requires distributors to purchase county revenue stamps from the Department of Revenue.

Third, we don't believe local tobacco taxes will put retailers at a competitive disadvantage. I often hear that raising the tax in Multnomah County will just drive consumers across county lines, but I don't believe a modest tax increase will have that effect. This week, my office conducted a price comparison on the same brand of cigarettes in various retail outlets within about a 5-mile radius in Southeast Portland. Attached is a chart for your review. As you can see, each store charges a different price for the exact same product. What this demonstrates to me is that consumers don't need to cross county lines to save money. They can cross the street, but most don't because they buy this product out of convenience.

I would also like to mention that we conducted this same price comparison one year ago on the exact same product and I shared that information with the Senate Revenue Committee. What is interesting to note is that, while Oregon hasn't raised the tax on cigarettes in 15 years, the price of the product in many stores has continued to increase. In just one year, one outlet raised the price on Camel Lights by 61 cents.

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