



MEASURE: HB 2110
EXHIBIT: 0
HOUSE REVENUE COMMITTEE
DATE: 3/24/2011 PAGES: 2
SUBMITTED BY: CHRIS GIRARD

Plaid Pantries, Inc. • 10025 SW Allen Blvd. • Beaverton, Oregon 97005 • Telephone: 503.646.4246 • Facsimile: 503.646.3071

Cigarette Tax Testimony – House Revenue Committee: March 24, 2011

Good Morning co-Chair Berger and co-Chair Barnhart, Members of the Committee. My name is Chris Girard, and I am president and CEO of Plaid Pantries, Inc. Plaid operates 104 convenience stores, mostly in Oregon. We have about 750 employees, and we provide a full range of benefits for them, including health insurance.

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It is not a good idea to raise taxes following such a deep recession and in the very slow recovery we are experiencing. But if the Legislature finds it necessary to raise revenues, it should be in a comprehensive and coordinated package that shares the pain among all Oregonians. Tobacco users are already paying considerably more in taxes than other citizens.

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Another significant negative to raising tobacco taxes is the large cross-border shopping done in Oregon by about 80,000 Washington residents who are currently avoiding the higher Washington tobacco tax. This factor, along with expected sales losses due to the tax increase itself, will result in the loss to Oregon of between 2.3 million, up to as high as 3.9 million taxable Oregon cartons. In round numbers, a loss of 3 million cartons means we will not realize the expected additional \$30 million dollars from a new \$1 tax, and we will lose the \$1.18 of the current tax, for

an additional loss of \$35 million dollars. More importantly, from a revenue standpoint, the State loses another slice of the tax base for future revenue due to the lost cartons.

I would also like to point out that the legitimate, law-abiding businesses in Oregon that sell tobacco are not getting rich from doing so. The Federal government collects \$1.01 per pack of cigarettes. Oregon currently collects \$1.18 per pack. Using my company as an example, we average about 58 cents gross margin on the sale of a pack of cigarettes. But bottom-line, only about 4 cents is retained by the company as earnings for our shareholders.

Fifty-four of the 58 cents gross profit on a cigarette pack sale goes into Oregon economic activity, which is multiplied further as it flows through the economy. Over half of the margin dollars go to jobs, wages, and employee benefits. Nearly 40% of the margin dollars go to over 300 companies, mostly Oregon small businesses, that provide maintenance, repairs, supplies, and other services to our company. What remains, before the 4 cents net profit, goes to property taxes and income taxes.

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Chris Girard
President & CEO
Plaid Pantries, Inc.



MEASURE: HB 2231
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MEASURE: HB 2533
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