

House Revenue Committee
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Salem, OR 97301

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Members of the House Revenue Committee,

I am writing this letter today in response to having read proposed HB 2110. This particular bill is going to increase the already large cigarette and tobacco tax an astronomical amount. I have many concerns about this bill, both for myself, my fellow retailers and wholesalers, and for my customers. I am a tobacco retail shop and we have been operating for 5 and ½ years. It concerns me that because a product has become politically incorrect, our society has decided to target it and tax it to death. If the goal is to generate revenue for the state and it's health programs, I believe that this Bill will do the exact opposite. I have 11 points that I am going to address in this letter, thank you for your time and attention.

1. When the Federal Government increased the tobacco tax in April of 2009 the price of loose tobacco rose 2000%. And because the state of Oregon adds a 65% tax to the price of the tobacco plus federal tax, the state received an increase without even having to pass a Bill. The Federal Government floor taxed in stock product as the state of Oregon would like to do, and it cost our shop roughly \$9,000.00 dollars. It took us clear through the end of 2010 to recover from having to pay that floor tax.

2. This increases all wholesaler and retailer buy in costs, which causes us to reduce inventory and carefully select those products that we carry. Our weekly cigarette and chew bill went from \$18,000 to \$20,000 per week before the Federal tax to \$21,000 to \$25,000 a week. And that was with us cutting out products we previously carried and kept in stock. When we are selling less of the products that is a drop in revenue to the state.

3. Several Oregon tobacco stores could not keep their doors open with the floor tax and had to close up.

4. Our sales last year were \$1.6 million dollars, cost of product was \$1.5 million dollars. That left us \$100,000 to pay 2 employees, building costs, and ourselves. We calculate that somewhere between \$800,000 and \$900,000 dollars was tobacco tax for the state and federal government. This was before we paid income tax. We are a small operation compared to the other tobacco stores around the state. If they are forced to close their doors, imagine the drop in revenue. The tobacco tax (state and federal) is 56% of the cost

of a pack of cigarettes in our state.

5. As far as the individual consumer goes, you are targeting the lowest paid and least educated people when you tax tobacco products. Demographic studies show that tobacco users in general are the poorest of our population.

6. The government has increased taxes and fees in all aspects of our lives. You now need to look at better budgeting practices. My useable household and business income has gone down, we have had to reprioritize where our money goes.

7. When a floor tax is added to any product it increases costs to the business who has to calculate it. Extra people have to be hired to help inventory so that the tax can be calculated. It involves many hours of extra work that places an extra burden on the business owners. Product that is already bought and paid for should not have to be subject to a new tax.

8. The proposed 120.25% tax for loose tobacco and cigars is more than I mark up product for my own personal gain. The Bill would almost double the current 65% tax on those products. How is it that the government is allowed to mark up product higher than any entrepreneur would to benefit their own business? I then am forced to pass on the increase to my customer or go out of business. And I also suffer the loss of customers due to these increases that are not affordable. If I make poor decisions and lose customers, then I deserve to suffer the consequences. But when I am forced to make these changes and we lose business, we all lose.

9. The tax increase on moist snuff from \$2.14 per container to \$3.96 is a 54% increase in the price. Business owners in this economy have not had the luxury of increasing prices, let alone increasing them by these insane amounts to help sustain or grow their own businesses.

10. Now we will address the \$1.00 per pack of cigarette tax increase as well. A carton of cigarettes that did cost me \$47.54 is now going to be \$57.54, that is a 17% price increase for me just to put it on my shelf. And again that increase has to be passed onto the consumer, who again is barely making it. Do you think a store will be selling more or less product? And what will that do to the way I stock my shelves?


11. Last, but not least HB2110 will allow cities and counties to add tax to tobacco products for use in their local budgets. I did not see a limit in the Bill as to what they are allowed to add. I did see some restrictions on the way it can be spent.

Is all of this going to increase revenue? Or is this going to cause more tobacco stores to close? And encourage mini markets and supermarkets to get out of the tobacco business? What about black market cigarette sales? Several states back east have learned their lesson, and are actually introducing Bills to lower the cigarette and tobacco taxes in their states. They realize revenue has dropped and people are then willing to find other ways to

purchase their tobacco products at a much better price. This information can be found by going to NATO (National Association of Tobacco Outlets). And if you are interested, I am a member and would be willing to look up specific Bills being proposed by other states to lower the tobacco and cigarette taxes and share them with you.

I thought that we were trying to create new jobs in the state of Oregon. With the Federal tobacco tax increase, those of us in the industry saw a decrease in salespeople, closure of stores, and less availability of product from our wholesalers. And several wholesalers that I deal with had to reduce staff in the warehouses, because of lack of orders and decreases in the amount of product being ordered. I hope you consider all of the implications that I have brought forth today, and research others that may not have been mentioned here. Thank you for your time and consideration in this matter.

Sincerely,

A handwritten signature in black ink that reads "Lisa Nash". The signature is written in a cursive, flowing style.

Lisa Nash, Operator of Smokes and More, LLC