

HB 2870
Senate Finance and Revenue Committee Hearing
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Reasons for Opposition to HB 2870:

1. **HB 2870 will increase complexity of tax reporting and add regulatory compliance burden** on an already over-burdened small business community.
 - a. We are Family Owned, Specialty Stores. County reporting and varied tobacco tax rates will introduce significant burden (paperwork and cost) on our wholesalers, or any Retailer large enough to purchase directly from manufacturers. This will increase costs of the cigars, in addition to an increase in tax burden.
 - b. Currently, every cigar purchased by our stores has a \$.50 Oregon tax and \$.41 Federal tax that must be paid in addition to the cost of the Cigar.
 - c. The average retail price point of cigars at our Shop is \$6. 15% of our retail (\$.91) is just for the recovery of the existing tobacco tax.

2. **HB 2870 creates uncertainty of tax burden** - unpredictable tax environment undermines confidence and reduces willingness to invest in Oregon.
 - a. **In the same way Nike wanted assurances that the manner in which they report and pay taxes would remain unchanged for 30 years** before they would invest further in Oregon, **small businesses also need to know their tax outlook**. This Bill introduces significant uncertainty, that could (and likely will) lead to doubling the tobacco tax burden of small businesses throughout Oregon. Expansion of small shops to become multi-site stores would be impacted, as each shop owner will be faced with a different set of playing rules if they cross County lines.

3. **HB 2870 will erode our cash resources. Tobacco taxes are an INBOUND tax.** This means **small businesses must pay this tax to acquire inventory**, so it is cash upfront.
 - a. We do not recover this tax until we sell the inventory to the public - which can be months! This will dramatically reduce cash resources, affecting our ability to retain or expand our employee base.

4. **HB will erode our customer base. Our customers have options!** They do not have to buy from our stores.
 - a. Oregon unemployment remains 38th in the Nation - 37 States are recovering from the recession better than Oregon.
 - b. Our customers have limited resources - if our prices go up due to tax increases, our **customers will buy less or buy elsewhere**, not pay more for the same cigar.
 - c. Our customers can buy cigars on the internet without State or County Tobacco taxes. **We will lose sales to the internet.**
 - d. If counties increase cigar taxes to match the state, our Cigar Tax will be 54% higher than **Washington**. Our customer will purchase in Washington - we know this because we have Washington customers who buy in Oregon because currently Oregon is 23% less than Washington.

Reduced Cash Available and Reduced Sales will lead to a reduction in workforce. Reduced Sales will also lead to a reduction in State Tobacco Tax Revenue. HB 2870 may create a temporary increase to County coffers, but the cost will be significant, in lost State Tobacco Tax Revenue and in reduced employment opportunities.

Please say No to HB 2870 - Tell the Counties that Oregon Small Business Owners are burdened enough. Please tell them you will not vote in favor of a bill that will increase that burden.

Thank you for your time and your consideration of this matter.

Suzanne Kelso