

TOFCO

TOBACCO-FREE COALITION OF OREGON, INC

To: Senate Committee on Finance and Revenue
From: Chuck Tauman, TOFCO President
Date: April 29, 2013
Re: Support HB 2870A - Removing prohibition against county imposition of taxes on tobacco products

The Tobacco-Free Coalition of Oregon (TOFCO) supports House Bill 2870A, removing the prohibition against counties' ability to tax tobacco products.

TOFCO is a statewide not for profit organization that includes businesses, organizations and individuals who advocate for programs and policies that will decrease the toll of tobacco-use in Oregon. TOFCO has long advocated for an increase in the tobacco tax and options for local jurisdictions to levy such taxes.

No doubt you will hear tired arguments and scare tactics from those opposing an increase in tobacco taxes. When you do, please remember that those making the arguments – Big Tobacco and their allies – are the very ones who line their pockets with tobacco profits. In the past, for the most part, these “arguments” have been left unchecked. Here, for the first time, is a point-by-point rebuttal.

- OPPONENTS' ARGUMENT #1: Tobacco taxes are regressive, discriminatory and unfair.

Fact: The cigarette companies and their allies have it backwards; it is the harms from smoking that are regressive. Lower-income communities already suffer disproportionately from smoking-caused disease, disability and death.

It is hypocritical and cynical in the extreme for tobacco companies to suggest they are concerned for low-income Oregonians when they target low-income neighborhoods with their advertising and marketing. There are more tobacco retailers, larger tobacco ads and more tobacco discounts and promotions in low-income communities. Regressivity is a hallmark of smoking – and the tobacco companies made it that way.

Source: Campaign for Tobacco-Free Kids (TFK) Factsheet, *Tobacco Industry Rolls Out False Claims Against Increasing Tobacco Tax to Protect Kids*,
http://www.tobaccofreekids.org/press_releases/post/2013_04_16_falseclaims

- OPPONENTS' ARGUMENT #2: Tobacco taxes will have a negative economic impact on the state and small businesses.

Fact: Tobacco taxes when optimally set causes a sharp decline in consumption, reducing the cigarette sales in convenience stores - as the policy is intended to do. However, sales stabilize after 90 days and remain stable.

Further, tobacco companies offer price-related promotions to soften the impact of state tax increases such as price-reducing promotions (price discounts, coupons, and retailer value added promotion involving free cigarettes).

Finally, most smokers don't cross-borders to purchase their cigarettes as described by the opposition. Most smokers buy their cigarettes on a daily basis one or two packs at a time, usually from readily accessible stores— either for convenience or from habit.

Source: ImpacTeen, *The Economic Impact of State Cigarette Taxes and Smoke-free Air Policies on Convenience Stores*,
http://www.impacteen.org/generalarea_PDFs/ITresearch40_Huang_with_exec_sum.pdf

- OPPONENTS' ARGUMENT #3: Increasing tobacco taxes in Oregon will result in tax evasion, cigarette smuggling and black markets.

Fact: Every time the cigarette tax rate has been increased, the taxing authority has enjoyed substantial increases in revenue – despite the consumption declines caused by the increase.

Smuggling and tax evasion are worst in those jurisdictions with the highest cigarette tax rates and the most established smuggling and tax evasion infrastructures and that are closest to low tax areas (e.g., Chicago and New York City). In comparison, Oregon with its already low tax rate (at least compared to Washington) has little to worry about. Even a county that raises its tax to the maximum allowed by HB 2870A, will have a tax rate well below that of our neighbor to the north.

Source: Campaign for Tobacco-Free Kids (TFK) Factsheet, *Raising State Tobacco Taxes Always Increases State Revenues & Always Reduces Tobacco Use*,
<http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>

- OPPONENTS' ARGUMENT #4: Increasing tobacco taxes will not result in significant revenue gains.

Fact: In every single instance where a taxing authority has passed a significant cigarette tax increase, it has enjoyed a substantial increase in tax revenues. This occurs because the increased tax brings in more new revenue than is lost by the declines in the number of packs sold. To some counties, this new revenue may represent continued financial viability.

Source: Campaign for Tobacco-Free Kids (TFK) Factsheet, *Raising State Cigarette Taxes Always Increases State Revenues (And Always Reduces Smoking)*,
<http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>; *Raising the Excise Tax on Cigarettes: Effects on Health and Federal Budget*,
http://www.cbo.gov/sites/default/files/cbofiles/attachments/06-13-Smoking_Reduction.pdf

- OPPONENTS' ARGUMENT #5: Increasing tobacco taxes will not result in a significant reduction in the number of smokers.

Fact: The cigarette companies have opposed tobacco tax increases by arguing that raising cigarette prices would not reduce adult or youth smoking. But the companies' previously secret, internal documents, disgorged in tobacco lawsuits, show that they know very well that raising cigarette prices is one of the most effective ways to prevent and reduce smoking, especially among children. After all, if tobacco taxes didn't work as intended (to reduce consumption and the number of smokers), why would these tobacco companies be so vigorous in opposing this bill?

Source: Campaign for Tobacco-Free Kids (TFK) Fact Sheet, *Raising Cigarette Taxes Reduces Smoking, Especially Among Kids (And The Cigarette Companies Know It)*,
http://www.tobaccofreekids.org/research/factsheets/pdf/0146.pdf?utm_source=factsheets_finder&utm_medium=link&utm_campaign=analytics

I urge your support for House Bill 2870A, removing prohibition against local government imposition of taxes on tobacco products. It supports local control; it gives revenue-hungry counties another option for solvency; it provides support for public health and mental health and it helps keep our children from lifelong addiction to deadly tobacco products.