

From: Alan Campf [<mailto:ajpnw@gwestoffice.net>]
Sent: Tuesday, February 24, 2015 8:35 AM
To: Elzinga Stephen
Subject: Proposed cigarette tax increase

Dear House Revenue committee,

As an Oregon distributor of cigarettes the State mandates that we put a stamp on each package of cigarettes that we sell. This can be done by a stamping machine or by hand stamping it on.

First a little history. My company went on direct with the tobacco company's April 8, 1926. I left school teaching August of 1964 to help my father after his partner (my uncle) died. I am still working.

Our State started taxing cigarettes in 1965 and the discount rate then was \$.024 / carton. This discount was to help cover our cost of stamping cigarettes for the State. Each year from 1965 on our cost of stamping cigarettes for the State just kept going up. In 2002, 37 years later, I woke up to this fact and by chance found then Representative Tom Butler. With Tom's help the discount rate went to \$.04/ carton. Does the \$.04 discount cover our expenses to stamp? It helps.

Here are just five of the expenses.

1. The first expense was in 1965 when we had to purchase a cigarette tax stamping machine.
2. The second expense is the man that operates the stamping machine.
3. The third expense is the NSF checks we get from customers.

Remember that the check includes our cost of goods, our profit, and the State cigarette tax.

The State gets its tax money and we eat it as a bad debt.

4. The fourth expense is the machine maintenance. November 16, 1997, then Myercord Co. charged me \$378.00 / month or \$4,536.00 / year to service the machine. Today to service the same machine from United Silicone the monthly cost \$848.00 / month or \$10,176.00 / year. This I cannot afford so we now get serviced January, May, and September (just three times a year for a total of \$2,544.00 a year. Any breakdowns between services we try and fix it ourselves or call for help and pay for an extra service call.

See following

sheet titled US Preventative Maintenance Agreement.

5. The fifth expense is if the current machine breaks down totally and has to be replaced. The cost is \$75,000.00 to \$100,000.00. I don't think so.

I even tried to help the State via then Representative Tom Butler with HB2502 (Fair trade), and HB2471 (Licensing Distributors and Retail Stores). Went no where.

Also in 2013 and 2014 you the State did something that was supposed to have been done starting 1998 and that is you spent some MSA monies on tobacco prevention. Starting 1998 through 2012 the State received one billion, sixteen million eight hundred thousand dollars. You kept it

all for other projects. Out of the 120 million you received in 2013 and 2014 you for the first time spent 8 million dollars on tobacco prevention. See following sheet titled MSA payments.

Now to HB2555. A dollar a pak added tax or \$10.00 per carton is just another added cost to my business with nothing to support us in return.

I am not a Costco or a Core-Mark. I am just an independent family business that helped get you to where you are today. There are 16 of us here. If this HB2555 goes through I am considering closing up and putting my crew on food stamps and unemployment. I can only absorb so much for the State. Why don't you, the State stamp and distribute the cigarettes like you do alcohol. By the way are you raising the beer and alcohol tax?

One more item to consider and that is the Federal governments cigarette tax increase of \$.94 per pak, or \$9.40 per carton. Add onto this your tax increase and we have a total of \$19.40 new tax increase.

Remember it's not who is right, but what is right. Your proposal is not right. Also the higher the tax the more crime.

Any questions please call Alan at 503-235-8341.

Thank you,

Alan Campf