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May 9, 2017

House Committee on Revenue re: HB 2056 and -2 Amendment

Dear Chair Barnhart, Vice-Chairs Bentz and Smith Warner, Committee Members:

It's not fair to raise taxes 38% on tobacco consumers, because they already pay much higher taxes than other citizens. Tobacco taxes are more regressive than almost any other tax, because lower income consumers use tobacco more than those with higher incomes. The taxes paid by lower income consumers represent a larger percentage of their income.

Raising taxes is damaging to small businesses and their employees, because many more customers will buy tobacco from smugglers. Retailers will lose not just tobacco sales, but more important, will lose significant sales of high-margin non-tobacco products that customers purchase with tobacco products.

Washingtonians evade their state cigarette tax on 46% of cigarettes they consume. Oregon's smuggling rate is 11%. Raising Oregon's cigarette tax will increase our tax evasion proportionately.

Oregon collects over a fourth of its tobacco revenue by selling 41 million packs of cigarettes to Washington consumers. We should not give up this money and require Oregonians to replace over \$50 million in out-of-state revenue collections.

Removing the preemption against local tobacco taxes would severely damage a critical revenue stream for the Oregon Health Plan and other state programs that rely on this funding. High local taxes, especially in Washington border counties, will dramatically decrease cross-border purchases and increase smuggling by Oregon consumers.

If a goal is to reduce tobacco use, a meaningful share of tobacco revenue should be invested in cessation programs. The current allocation of less than 1% of the MSA money, and only 3¢ per pack of the excise tax to cessation programs is not meaningful.

Tobacco consumption is declining at increasing rates. It is not good policy to rely on increasing revenue from an evaporating source.

If revenue must be increased it should be done fairly, from all citizens, because the tax burden on each individual taxpayer would be much lower. And the State should not relinquish control of tobacco revenue to local jurisdictions.

Respectfully submitted,

A handwritten signature in blue ink that reads "WC Girard".

William C. Girard, Jr.
CEO, Plaid Pantries, Inc.
Chair, Oregon Neighborhood Store Association