

HB 2056, with amendment
House Revenue Committee Hearing
May 11, 2017

Chair Barnhart, Representatives of the House Revenue Committee, thank you for the opportunity to speak.

I am Suzanne Kelso, President of Specialty Cigars in Bend, OR. We operate a retail store in Bend and a wholesale business focused on supplying the golf industry with cigars. We have customers across the state and across the nation. We employ 9 people in Oregon.

I am also the President of the Oregon Premium Retail Tobacconists Association, Pipe and Cigar Retailers in Oregon. We estimate there are 75 specialty tobacconists in Oregon, employing 500 people in Oregon - small family owned businesses.

Specialty Cigars does not sell cigarettes, we only sell cigars and pipe tobacco. Both are legally sold on the internet, so we are competing in a Nation-based Economy. Pennsylvania and Florida have no cigar tax, and consequently the internet houses are based in those states. Oregon Cigar and Other Tobacco Tax Rates directly impact our ability to compete against these National Internet competitors.

We oppose HB 2056, including amendments: we have significant concerns with raising the tax rate, even if the cigar cap remains in place. A movement is already underway to introduce a ballot measure that would remove the cigar tax cap. In addition, we oppose the expansion of authorized taxing agents to include Municipalities.

The Forbes 2016 Ranking of Best States to do Business ranks Oregon #40 in Regulatory Environment. Passing this bill will create redundant and expensive reporting requirements across multiple jurisdictions and make an already burdensome regulatory environment far worse for small businesses in Oregon.

1. **HB will erode our customer base. Our customers have options!** It is legal to buy cigars and pipe tobacco on the internet.
 - a. Our customers can buy cigars on the internet without State or County Tobacco taxes. **We will lose sales to the internet.**
 - Pipe Tobacco - We only pay \$900/year in pipe tobacco because our pipe tobacco COST at 65% tax rate is more than it is sold on the internet! Comparison is attached.
 - Cigars - Our retail store pays \$12,500/year in cigar tax at the cap. We pay a total of \$37,000 per year when including our wholesale business. These are INBOUND taxes, meaning we pay the tax at the time of buying inventory. We do not recover this tax until we sell the inventory to the public - which can be months! It ties up precious cash! Increase the rate as per HB 2056, or expand the authorized taxing authorities per the amendment, and you will reduce the cash we have for employees and cause us to lose our business to the internet.
 - If the rate is increased, our COST will be greater than the internet retail. Comparison is attached.

2. HB 2056 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. Municipal reporting and varied tobacco tax rates will introduce significant burden (paperwork and cost). This will increase the cost of running our business, in addition to an increase in tax burden.
 - b. Stores located in multiple municipalities will face a nightmare of proving tobacco tax as inventory is shared across county lines.

3. HB 2056 creates uncertainty of tax burden - unpredictable tax environment undermines confidence and reduces willingness to invest in Oregon.
 - a. 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.

Reduced Sales will lead to a reduction in State Tobacco Tax Revenue. HB 2056 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 2056 - this is a small business issue. We will lose our customer base to the internet, the State will lose revenue.

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

Suzanne Kelso



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Cigar and Pipe Tobacco Purchase Comparison

Cigars

	Product	OR Tax Rate	Box Size	Product Cost/cigar	OR Tobacco Tax/cigar	Total Tax Per Box	Our Box Cost	Internet Retail
Internet - Cigars International	Romeo y Julieta 1875 Churchill	None	25					\$ 133.25
Specialty Cigars in Bend	Romeo y Julieta 1875 Churchill	\$.50 Cigar Cap	25	\$ 4.44	\$ 0.50	\$ 12.50	\$ 123.50	Current
		65% Tax Rate	25	\$ 4.44	\$ 2.89	\$ 72.15	\$ 183.15	*
		90% Tax Rate	25	\$ 4.44	\$ 4.00	\$ 99.90	\$ 210.90	*

***A rate change or additional taxes at the Municipal Level will cause our COST to be greater than Internet RETAIL!!**

Pipe Tobacco

	Product	OR Tax Rate	Box Size	Product Cost	OR Tobacco Tax	Our Cost	Internet Retail
Internet - Cigars International	McClelland Frog on the Town Pipe Tobacco	None	1.75 oz				\$ 9.50
Specialty Cigars in Bend	McClelland Frog on the Town Pipe Tobacco	65% Tax Rate	1.75 oz	\$ 6.34	\$ 4.12	\$ 10.46	**
		90% Tax Rate	1.75 oz	\$ 6.34	\$ 5.71	\$ 12.05	**

****Our COST is greater than Internet RETAIL!!!**

Pack	In Stock	MSRP	Price	Qty	Cart
Pack of 5			\$25 ⁵⁰	<input type="text"/>	<input type="button" value="Add"/>

[Juletas \(Cigarillos\) \(4.8"x28\)](#)

[Petit Bully \(Corona\) \(4.0"x38\)](#)

[Petite Julieta \(Cigarillos\) \(3.6"x24\)](#)

[Petite Julietas \(Cigarillos\) \(3.6"x24\)](#)

[Romeos \(Cigarillos\) \(4.0"x33\)](#)

[Rothschild en Tubos \(Robusto\) \(5.0"x50\)](#)

[Toro Fresh Loc Packs \(6.0"x50\)](#)



Cigars International does

Pack

Pack

Pack

Pack

Pack

Pack

Pack

Pack

Box of 5

Pack

Pack



Romeo y Julieta 1875 Churchill Box of 25

234 Ratings

Romeo y Julieta 1875, the original Romeo.

Always in demand, the legendary Romeo y Julieta cigar brand lives up to its Cuban heritage. Romeo y Julieta is a classic brand that offers exceptional construction and a smooth and creamy medium-bodied taste and aroma. If you enjoy a pleasant-tasting cigar that is not overwhelming yet is very satisfying, then Romeo y Julieta cigars are for you. The brand is one of the finest names in the business. They go quickly, so order soon.

Romeo y Julieta 1875 received a well-deserve 92-rating noting: *"It has a heavy aroma and a clean, white ash. Strong, toasty flavors smack of wood and leather. There's a sweetness to the long finish."*

Strength: MEDIUM
Shape: Churchill
Wrapper: Indonesian
Origin: Dominican Republic
Flavored: No
Pressed: No
Has Tip: No
Binder: Dominican
Filler: Dominican
Sweet: No

Item #: ROA-PM-1020
MSRP: \$185.00
Price: \$133.25

Qty:

[Mobile Site](#)

McClelland Frog on the Town Pipe Tobacco

3 Ratings | [Write a Review](#)

Hoppin' around town.

McClelland Craftsbury Collection Frog on the Town is perhaps the line's most interesting blend. Latakia is carefully mixed with a healthy dose of Basma to create a mellow and almost aromatic blend. Smooth and enjoyable even during late nights out, this flavorful blend won't let you down.



Tobacco: Latakia, Oriental, Virginia
Style: English
Room Note: 2 - Mellow

[More Details](#)

Click the icons below for product information.

Romeo y Julieta 1875

CAO Flathead

Macanudo Cafe



McClelland Frog Morton Pipe Tobacco
As low as \$9.50
(5)



Products

Customer Reviews (3)

Q&A

Blend

[McClelland Craftsbury Collection Frog on the Town](#)

[McClelland Craftsbury Frog on the Town](#)

Shipping Constraints:
These items cannot be shipped to a Washington state address.



Cigars International does



McClelland Craftsbury Frog on the Town

1.75 Ounce Tin

3 Ratings

Hoppin' around town.

McClelland Craftsbury Collection Frog on the Town is perhaps the line's most interesting blend. Latakia is carefully mixed with a healthy dose of Basma to create a mellow and almost aromatic blend. Smooth and enjoyable even during late nights out, this flavorful blend won't let you down.

Strength: MILD-MEDIUM
Tobacco: Latakia, Oriental, Virginia
Style: English
Room Note: 2 - Mellow
Cut: Loose Cut
Packaging: Tin
Country of Origin: United States
Flavor Intensity: 1 - Low

Item #: MCD-TP-1000
MSRP: ~~\$12.68~~
Price: \$9.50

Qty: Qty