



February 26, 2018

Chairman Mitch Greenlick  
Members of the House Health Care Committee  
Oregon State Capitol  
900 Court Street N.E.  
Salem, OR 97301

**RE: House Bill 4146 (Cigarette Tax Rate Increase)**

Dear Chairman Greenlick and Members of the House Health Care Committee:

As the Executive Director of the National Association of Tobacco Outlets (NATO), a national retail trade association, and on behalf of the numerous Oregon retail stores that are members of NATO, I am writing to submit our comments and concerns regarding the Governor's cigarette tax proposal.

House Bill 4146 does not indicate by what amount the Oregon state cigarette tax rate would be increased. This lack of a proposed tax rate increase makes it difficult to determine the impact of a cigarette tax rate increase on NATO's retail members stores and their adult customers.

Retailers, the State of Oregon and numerous state programs are already being impacted with the increase in the legal age to purchase tobacco products to 21. The "Revenue Impact" statement for Senate Bill 754 (the age 21 bill enacted into law) showed that the State of Oregon would lose \$11.14 million in cigarette and tobacco excise taxes in period from 2017-2023 (see accompanying copy of Revenue Impact Statement). According to the Revenue Impact statement, the reduced excise tax collections would result in budget reductions for the Oregon Health Plan, the Oregon General Fund, OHA Mental Health, TURA, cities and counties, and DOT Elderly Transportation.

With the current per pack cigarette tax in Oregon being \$1.33, this loss of \$11.14 million would equate to approximately eight million fewer packages of cigarettes sold (\$11.14 million divided by \$1.33 and subtracting out \$375,000,000 for lost sales of other tobacco products). With an average retail price per pack price of cigarettes in Oregon being \$6.00, the estimated sales loss in cigarettes at retail would be \$48,000,000. These are lost sales that family-owned retail businesses cannot make up by selling other products.

Under House Bill 4146, the loss of sales would be magnified by a further increase in the cigarette excise tax rate. Higher cigarette taxes are very regressive and fall most heavily and discriminatorily on lower income individuals with working class jobs who use a larger percentage of their income to pay such higher taxes.

Also, a major unintended consequence of a decline in cigarette sales for the average convenience store is the inability to pay employees competitive wages or expand business operations. According to the National Association of Convenience Stores, retailers rely on cigarettes and tobacco products for up to 36% of in-store product sales. With a further decline in an important product category, retailers cannot remain competitive in the wage environment and may need to lay off employees due to sales reductions.

For these reasons, and on behalf of all NATO's member retailers in Oregon, I urge you to not increase the state cigarette tax rate. Thank you for your time and consideration.

Sincerely,

***Thomas A. Briant***

NATO Executive Director