

Testimony in opposition of:

HB 2123: Expands definition of "tobacco products" for purpose of taxation to include inhalant form nicotine.

HB 2158: Removes per cigar limitation on cigar tax.

HB 2159: Imposes tax on distribution of inhalant product based on percentage of wholesale sales price.

HB 2169: Imposes tax on distribution of inhalant product based on percentage of wholesale sales price.

HB 2270: Increases tax on distribution of cigarettes.

Submitted by:

Daniel Layne

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My name is Daniel Layne. I work in sales at A&S Marketing located in Portland, OR. A&S Marketing is a full-service tobacco distributor servicing over 500 small businesses throughout Oregon and Southwest Washington. We currently have 15 employees, and we pay well above minimum wage. In addition, we offer our employees and their families health insurance and other benefits such as a generous 401k matching program.

There have been several bills introduced during this current session regarding increased taxes on tobacco products. If passed, these bills would have a detrimental impact on thousands of small businesses throughout Oregon's communities.

The State of Washington is proof that higher tobacco taxes lead to less revenue. In 2001, Washington had a 74.9% state tax on other tobacco products (OTP). That same year taxable sales were 30.2 million which generated 22 million in revenue. In 2002, Washington raised their OTP tax to 129%. As a result of the drastic tax increase, Washington's taxable sales dropped to 17 million while their revenue stayed flat at 22 million. Consumers turned to other sources to buy their tobacco products. They searched the internet to buy tobacco tax free, and they shopped in neighboring states. All of which boosted the economic growth in communities outside of their own state. In 2005, Washington rolled back their tax rate to 74.9%, and revenue increased by 1.8 million over the previous year.

I have worked in sales for tobacco companies for the last 18 years. My territories have been in the SW Washington part of the state during that time. I have seen firsthand the negative effects that such tax increases have had on small business's during this time period. Not only do adult tobacco consumers come to stores in Oregon to purchase their tobacco products, but they also work here. I have seen small businesses in Washington state either lay off employees, or completely shut down their business's do to loss of sales because of these types of tax increases. One big issue that arises from

these types of tax increases is that tobacco consumers don't simply just quit using tobacco products. They look for alternatives to purchase their products. I have seen consumers drive hours away to Native American tribal smoke shops in the Tacoma Washington area to shop for products that are tax free. I have also talked to many adult consumers that will shop for tobacco products online to avoid paying state taxes on their products.

If these tobacco taxes pass, I feel that the exact same thing that has happened to the state of Washington would happen again to the state of Oregon. I urge you to oppose any and all tobacco tax increases. Thank you for your time.