

# Testimony on Tobacco Tax Bills for the House Committee on Revenue

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My name is Daniel Morris. I'm a doctor of public health, and a board member of the Tobacco Free Coalition of Oregon (TOFCO), Upstream Public Health, and the Multnomah County Public Health Advisory Board. I've done research on tobacco taxes and the tobacco industry for over 10 years. As an epidemiologist, I support raising tobacco taxes because that's the best way to reduce consumption of the leading preventable cause of death and disease in Oregon. Tobacco taxes are especially important because they keep kids from starting to use tobacco products, and help adult users quit. I urge you to pass a \$2 / pack cigarette tax increase.

While raising taxes on cigarettes, I urge you to also raise taxes on other tobacco products (OTP). When tax rates are different on similar products, it creates opportunities to avoid taxes and other regulations, and also leads to people switching products instead of just quitting, which blunts the public health impact of the tax increase. For example, Oregon has lost tens of millions of dollars to roll your own (RYO) tobacco tax evasion, because tobacco companies intentionally mislabeled RYO tobacco as pipe tobacco, which is taxed at a much lower rate by the federal government. Oregon could recapture this revenue with a surtax on mislabeled RYO.

I support taxing e-cigarettes at 95% of wholesale, like Minnesota does. Raising other OTP taxes to 95% would generate an additional \$50 billion per biennium, once fully phased in. Raising OTP taxes by an amount equivalent to a \$2 pack increase would generate more than \$100 million more per biennium. I urge you to amend HB 2270 to increase OTP taxes as well as cigarette taxes.

I urge you to pass HB 2158, to remove the tax cap on luxury cigars. The cigar tax cap is a public subsidy worth millions of dollars for people who smoke expensive cigars. It's money that would otherwise go to the Oregon Health Plan, tobacco prevention programs, and the general fund. It makes our tax system less equitable. Oregon should not be subsidizing tobacco use with tax breaks on luxury cigars.

Perhaps the most unfair thing about Oregon's tax code is that people who smoke expensive cigars pay much lower tax rates than people who smoke cigarettes. Even though a luxury cigar may have more tobacco in it than a whole pack of cigarettes, Oregon taxes it only 50 cents, less than half the tax on the cigarette pack. And that's on top of a federal tax cap of 40 cents, which is less than half of federal cigarette taxes.

In 2018 about 1.8 million cigars sold in Oregon had their taxes capped, so it's clear that eliminating the tax break for luxury cigars will generate a lot of new revenue. I estimate that eliminating the cigar tax cap will bring in between \$5 and \$10 million per biennium.

I have studied tobacco tax data and employment and economic data for many years now, and I have never found any evidence that cigar tax caps have any impact on jobs. Plenty of other states don't cap cigar taxes, and they still have cigar stores and tobacco shops. If Oregon removes its cap on luxury cigar taxes, it will still have cigar stores and tobacco shops.

Oregon was the first state to cap taxes on luxury cigars, I hope you will make us the first state to eliminate a cigar tax cap. I urge your Yes vote on HB 2158.