



6/15/2019

Joint Committee On Tax Expenditures
Testimony for HB2270

Members of the committee. My name is Tyler Henson, I am the Regional Government Affairs Director for the International Premium Cigar & Pipe Retailers Association, better known as (IPCPR)

Founded in 1933, the International Premium Cigar & Pipe Retailers Association (IPCPR) is the oldest, largest and most active trade association representing and assisting retailers of premium tobacco products and their suppliers.

I am speaking to you today in opposition to SB2270 which would eliminate the current \$0.50/tax on cigars.

In my work, one of my main prerogatives is educating lawmakers on the differences between our products and other tobacco products like cigarettes.

Traditional and large premium cigars are an artisanal product that must endure a long and painstakingly precise process before they ever reach the end consumer. On average, a single premium cigar takes 4 years to produce and will be touched by over 250 hands.

Premium tobacconists are specialty stores, so a cigar tax increase will impact 80 percent or more of their entire small business. The \$.50 tax cap has helped grow our members businesses and compete with neighboring states like Washinton that also has a tax cap in place. It also helps level the playing field with online sellers that currently remit no excise tax on products they ship into Oregon. An estimated 65 percent of all cigars purchased are ordered online. If the tax cap were to increase to 65% of the wholesale price instead of being capped at \$.50 per stick, it would boost online and cross border sales. In this scenario, the state and local small businesses both lose.

Any threat to the tax cap is of great concern for tobacconists in Oregon. As small business owners, it is difficult to plan for the future, hire employees, and place large orders when the tax rate that helps them compete is on the line. Oregon premium tobacco retailers are predominately multi-generational family owned businesses. Ninety-one percent of cigar stores are family owned and operated and have been open for an average of 17 years.



Removing the current cap on premium cigars will not achieve the outcomes hoped for by the proponents of this bill. Instead raising the cost of premium cigars will only change the purchasing behavior of consumers to online stores where ZERO tax is collected and distributed to the state. The state will receive less revenue and small business will drastically lose revenue.

Our members across Oregon request you amend SB2270 re-establishing the \$0.50/tax on cigars for the sake of these small multi-generational family businesses.

Thank you for your consideration

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