



HB 2270 Urging a “yes” vote on Cigarette, cigar and vaping taxation

Testimony for the Joint Committee on Tax Expenditures – Jody Wiser – 6.17.2019

Tax Fairness Oregon encourages you to vote “yes” for HB 2270.

Prior to the session, we studied cigarette taxation in our neighboring states. We found that to place Oregon’s cigarette tax squarely in-between what a smoker would pay in total taxes in California and Washington, Oregon needed a \$2.12 per pack increase. This bill’s \$2.00 increase is in the ballpark, and should reduce smoking rates by youth and adults alike, so they are more in line with the [lower smoking rates in our neighboring states](#).

The current curious cap on taxes on cigars in Oregon seem to suggest that cigar smokers are special Oregonians, whose smoking habits are not important. This bill addresses that oddity by removing the per cigar cap.

Vaping clearly should be taxed, both because vaping is not without health impacts. Hopefully the tax will curb its dramatic increase in popularity, particularly amongst the young.

As we testified in an earlier hearing:

Please increase our taxes on vaping, Juul, cigarettes, cigars and other tobacco products. Users of these products should help bear the extra health care costs of their addictions.

Despite business owners claims, it seems unlikely that price increases will stop adult smokers from trying vaping because they hope to quit cigarette, while it will help deter young people from starting down the path to addiction.

Testimony by others made it evident that you should require ID upon delivery for vaping products, Juul, cigars and other tobacco products, just as we currently do for wine delivered after on-line sales. This means our tobacco/nicotine laws be enforced and will help reduce online purchasing. **HB 2848 is an effort to do this.** Please support that bill, thinking of it as part of this package.

Please end the cap at \$.50 each on luxury cigars; one cigar can contain as much tobacco as a pack of cigarettes, but the capped tax is less. Most states don’t have a tax break on luxury cigars, and Oregon should end ours. Parents or grandparents smoking a cigar provides just as bad a model for their children as cigarette smokers.

A number of speakers opposing increases on tobacco taxes say their businesses will be hurt because of the decrease in cross-border sales. **They claim to worry about an increase in the black market, and other forms of contraband. But actually, their own sales to Washingtonians undoubtedly are abuses of tax laws, since they know it is highly unlikely that their out-of-state buyers go home and pay their legally required use taxes.** What's the use tax? It is the replacement for sales taxes wherein *"the purchaser has the obligation to pay the use tax directly to the state where the property is used as long as the item is taxable....The purchaser remits this tax directly to the taxing jurisdiction."*¹

It is possible that changes in Oregon's tobacco taxes will cause some decrease in business for those border-based businesses. **But, since we don't have a sales tax, our cigarettes can still be sold at a significantly lower price than in Washington.** But your responsibility is to the health of Oregonians, not to businesses whose profits rely upon common but illegal tax avoidance.

We commend you for having the fortitude and moral strength to taking on this important issue.

Please take action and moving HB 2270 forward this session.

We read the bills and follow the money

¹ Sales Tax Institute: https://www.salestaxinstitute.com/sales_tax_faqs/out_of_state_retailer_collect_sales_tax