



Over 100 Years Of Excellence

6/18/2019

Joint Committee On Tax Expenditures Testimony for HB2270

I am writing to you today in opposition to SB2270, which would eliminate the current tax cap of \$0.50 a cigar.

My family owns and operates Rich's Cigar Store, one of the oldest businesses in Oregon at 125 years old. Our decades of experience in the tobacco and news industry provides us with acute insights into the vicissitudes of the tobacco legislation and retail market. Most relevant is the fact that consumers change their cigar retailer when they can save money. Today, people purchase highly discounted, untaxed cigars from online out-of-state retailers over cigars from Oregon brick-and-mortar retailers who diligently pay all State, Local, and Federal taxes. Consumers do not quit smoking premium cigars due to tobacco taxes.

The elimination of the tax cap on cigars would make Oregon prices so uncompetitive that the Oregon premium cigar industry would be decimated. Consequently, the State's revenue from income taxes, tobacco taxes, payroll taxes, property taxes related to tobacco stores will decline. The money that our employees, customers, and contractors spend and earn related to our operations wouldn't go back into Oregon's economy.

Often the response to the aforementioned is, "But Oregon citizens are required to pay state tobacco taxes on products purchased from out-of-state, online retailers." Not once has Rich's heard of an Oregon citizen voluntarily paying the requisite Oregon tobacco tax on cigars purchased online.

The most ardent individual consumers of cigars purchase online because they are exceedingly price sensitive. While this consumer spends hundreds of dollars a week on their cigar passion, they complain about spending an extra \$0.50/a stick right now at our stores.

Online cigar retailers account for as much as 80% of the cigar industry. Washington State recognized that online retailers decimate their tobacco tax and local business revenue years ago. Consequently, Washington State implemented a ban on consumers purchasing from out of state, online tobacco retailers.

What do you think happens when the cap is eliminated and we are charging \$1 to \$32.50/stick in tax? (Yes, we sell \$100 cigars.) Our customers never come into Rich's again, so Rich's along with every other tobacco tax paying cigar retailer will close.

Please amend SB2270 to re-establish the \$0.50/tax on cigars. Premium cigars are not cigarettes and are not vapor products. We have hundreds of customers a day and none of the premium cigar customers purchase vapor products or cigarettes.

Thank you for your consideration,

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