

From: [John Harper](#)
To: [LRO](#)
Subject: Written TESTIMONY - Cigarette Tax Bill Issues
Date: Wednesday, June 19, 2019 8:12:41 AM

Expenditure Committee:

Below is my current stance on the bill and supporting information. More recently I'm now concerned about a GROSS RECEIPTS tax on tobacco products that are high grossing, low margin (4% - 8%). Below is a list of things you've already asked of our businesses, now you add the backdoor sales tax to further the damage. Pushing Washington business back across the border further undermines the entire basis of the GROSS RECEIPTS TAX and will most certainly generate less revenue.

I employ 40 employees and their jobs are certainly at risk, along with what I feel are several thousand additional jobs.

Position on Tobacco Bills - Jobs Killer!:

The aggressive tobacco tax proposed is certainly a jobs killer. First, let me start by saying that I oppose the Tobacco Tax as it is currently written and don't believe it will generate the revenue that is predicted.

I'm looking for support in a modified bill, if not this session, but in the next, that includes an increase in tobacco taxes, but not one that essentially destroys jobs and businesses and families.

History of Business

I've been in the tobacco business for more than 25yrs. I started with 200sf family run to now employ 40 people with payroll of \$1.3M. I'm a non-smoker, but I take my business serious. I'm not asking on my behalf, as much as I'm asking for support on behalf of my 40 employees.

Our locations are primarily located on the Oregon/Washington Borders.

Our Business does gross sales annually of approximately \$25M, with the main revenue coming from State of Washington customers (Email me back and I'll send video of Washington Traffic at one of our shops)

I'm looking for support in a modified bill that includes an increase in tobacco taxes, but not one that essentially destroys jobs and businesses.

The State has asked us as business owners for several things:

- (1) Increase Minimum Wage; I have employees from \$12hr to \$55k salary; annual wages of \$1.3M
- (2) Offer Sick Time; I allow roll-over hours
- (3) Increased Smoking age to 21; our buildings are all 21+ like liquor stores
- (3) Offer Retirement Program; I offer a 401k Matching Program

(4) You just added a GROSS RECEIPTS TAX to our low margin tobacco products.

Now you are asking me to basically close my businesses and cutoff benefits to the 40 staff members and their families, who have bought homes, had children, etc., counting on decent wages and a stable work place; and that's simply asking too much. Frankly, many of them have come to me wanting answers; they are scared of losing their jobs!

Employee Standpoint:

Close your eyes and try to put yourself in OUR (employees) shoes; we are literally scared to lose our jobs. We've bought houses, cars, had children; all the time counting on having living wage jobs, stable employment and a retirement program. Why can't there be a compromise.

Current Bills:

Cigarette tax increase \$20 per carton, 95% Vape Tax; Lift Cigar Cap and raise OTP tax to 95%

These drastic increases will result in loss of revenue from Washington consumers that drive over the border to shop for a variety of goods and services. However, they won't drive to save 8% on clothing or gas anymore, tobacco definitely is an advantage and drives sales of other items. Thus, there is a great deal of collateral damage form loss of sales, which impacts jobs. I myself will no doubt have to **layoff nearly 90% of our staff** and **discontinue the 401k program.**

Compromise:

Bills should be revised that reflect an increase that's reasonable. I propose the following:

- (1) Cigarette tax increase of \$.50 per pack / \$5 per carton
- (2) Leave Cigar Tax Cap in place at \$.50
- (3) Leave OTP Tax rate at 65%
- (3) Tax Vape liquid containing nicotine at 10% of wholesale

This tax structure is nominal and sustainable and should accomplish the revenue goals needed without pushing people to the black market and allowing Oregon businesses to continue to operate and maintain employment levels. It will keep everyone competitive with the internet on Cigars, Vape Juice and OTP (other tobacco products).

The border towns will most certainly experience collateral damage form the job loss, which includes not only my employees, but diminished sales in other retail which will impact their staffing as well. I was unaware until the testimony last week that 30% of sales of mini-marts is tobacco related. The impact to Plaid Pantry or 7-11 outlets is huge, not to mention the indirect sales from traffic to other retailers on border towns like Jantzen Beach, Hayden Island, Rainier, Astoria, the Dalles and Ontario.

I look forward to hearing from you and any suggestions you have that might direct me

on who and how to make this proposal a win-win and get the existing proposal modified.

Thank you in advance for your time in reading this and your consideration and suggestions to move this forward.

Respectfully,

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