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April 9, 2019

House Committee on Revenue re: HB 2270

Dear Chair Nathanson, Vice-Chairs Marsh and Findley, Committee Members:

On behalf of our customers and employees, we strongly urge you not to enact an unprecedentedly huge and regressive excise tax increase on tobacco. Raising the current \$1.33 per pack state tax on cigarettes by an additional \$2.00 represents a 150% increase, a truly drastic move by any measure. If revenue must be increased it should be done fairly, from all citizens, and such large tax increases should be consistent with Oregon's long-standing doctrine that progressive taxation is fair taxation.

We should not grossly over-tax a relatively small population of citizens who use tobacco products. Such a large tax increase particularly adversely impacts lower-income citizens and minorities, who have a higher incidence of tobacco use than the rest of the population.

Raising taxes is damaging to small businesses and their employees, because many more of our customers will buy tobacco from smugglers. Law-abiding retailers will lose not just tobacco sales, but more important, will lose significant sales of high-margin non-tobacco products that customers purchase with tobacco products.

According to the most recent Tax Foundation Report, Washington is experiencing a 44% smuggling rate on tobacco products. Oregon's smuggling rate is 10%. Raising Oregon's cigarette tax will increase our tax evasion proportionately and we will not raise nearly the revenue expected.

Oregon collects over a fourth of its tobacco revenue by selling these products to Washington and California consumers. We should not give up this revenue and require Oregonians to replace over \$50 million dollars that is currently collected from out-of-state customers.

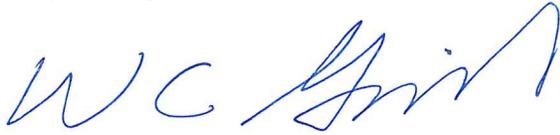
Tobacco consumption is declining at increasing rates. It is not good policy to rely on increasing revenue from a significantly declining source.

Cigarette tax proposals should not be referred to voters because citizens are not informed on the impacts on this critical revenue stream. Only Legislators can fully consider the unintended consequences of large tax increases and the long-term effects on programs which depend on tobacco for funding.

It also is not fair to enable 80% of the citizens who do not use tobacco to approve a tax on the 20% who do. A referral of this proposed tax is counter to one of the most important protections inherent in our representative democracy form of government, which is to protect smaller groups of citizens from the "tyranny of the majority". We strongly urge you not to abdicate your responsibilities in preserving such a cornerstone of our system.

Finally, as noted at the outset, raising taxes 150% on anything is simply not reasonable. We at minimum urge you to exercise some moderation in raising this tax on our customers. Our customers are also your constituents, and deserve your fair consideration of the financial burden this will impose on them.

Respectfully submitted,

A handwritten signature in blue ink, reading "WC Girard". The signature is fluid and cursive, with the initials "WC" being particularly prominent.

William C. Girard, Jr.
Executive Chairman, Plaid Pantries, Inc.
Chair, Oregon Neighborhood Store Association