



April 9, 2019

House Committee on Revenue  
RE: House Bill 2270

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

As a convenience store operator in the state of Oregon, I am expressing Jacksons' concerns with the proposed \$2 per pack tax increase on cigarettes. This drastic 150%+ increase would dramatically impact our business, negatively impact our customers and employees, create unwanted externalities, and generate an uncertain revenue source.

Jacksons Food Stores is a privately held Idaho-based company that started as a single service gas station in 1975. We now operate over 50 stores in the state of Oregon and employ over 700 of its citizens. Cigarettes generate close to 1/3 of convenience outlets in-store sales revenues. We rely heavily on the foot traffic generated by tobacco products which lead to additional product purchases in other categories. Increasing this tax so dramatically will jeopardize our business as consumers would shift to other outlets including neighboring states with cheaper taxes (NV \$1.80 & ID 57¢) or other forms of contraband/counterfeit sales where taxes are often not collected. This would shift revenue away from Oregon retailers and communities and put jobs at-risk.

Implementing a \$2 tax on cigarettes would be an astounding jump from the current level and would translate into Oregon being one of the highest-tax states in the nation for cigarettes (33<sup>rd</sup> to 6<sup>th</sup>). The regressive nature of this tax would harm a relatively small percentage of the population whom can least afford it. Evidence shows that a tax of this sort would lead to these individuals consuming less of other goods and services in the local economy to continue to smoke. This proposal does not meet the merit of stability, certainty, and sufficiency required to with confidence be implemented.

Evidence on excise tax increases implemented by states between 2009-2016 shows that 85% of these increases failed to meet their revenue projection mark. Additionally, per a recent Tax Foundation Report, Washington is experiencing a 44% smuggling rate on tobacco products. Oregon's new proposed tax rate would be \$3.33, or 30¢ more than WA. Oregon would additionally lose out on existing 'across state line' sales from customers visiting from the higher-taxed states of WA and CA.

Tobacco consumption is declining at ever increasing rates organically. It's not responsible policy making to impose such drastic increases on an already shrinking and uncertain revenue stream. We strongly urge you to reconsider the magnitude of this increase and reflect on a more equitable and sustainable means to this end.

Sincerely,

Kole Olinger  
Category Manager, Jacksons Food Stores