

Testimony in opposition of:

HB 2123: Expands definition of "tobacco products" for purpose of taxation to include inhalant form nicotine.

HB 2158: Removes per cigar limitation on cigar tax.

HB 2159: Imposes tax on distribution of inhalant product based on percentage of wholesale sales price.

HB 2169: Imposes tax on distribution of inhalant product based on percentage of wholesale sales price.

HB 2270: Increases tax on distribution of cigarettes.

Submitted by:

Cody Payne

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Members of the Committee of Revenue,

My name is Cody Payne, and I am a native Oregonian. I am also the General Manager of A&S Marketing located in Portland, OR. A&S Marketing is a full-service tobacco distributor servicing over 500 small businesses throughout Oregon and Southwest Washington. We currently have 15 employees, and we pay well above minimum wage. In addition, we offer our employees and their families health insurance and other benefits such as a generous 401k matching program.

There have been several bills introduced during this current session regarding increased taxes on tobacco products. If passed, these bills would have a detrimental impact on thousands of small businesses throughout Oregon's communities.

The State of Washington is proof that higher tobacco taxes lead to less revenue. In 2001, Washington had a 74.9% state tax on other tobacco products (OTP). That same year taxable sales were 30.2 million which generated 22 million in revenue. In 2002, Washington raised their OTP tax to 129%. As a result of the drastic tax increase, Washington's taxable sales dropped to 17 million while their revenue stayed flat at 22 million. Consumers turned to other sources to buy their tobacco products. They searched the internet to buy tobacco tax free, and they shopped in neighboring states. All of which boosted the economic growth in communities outside of their own state. In 2005, Washington rolled back their tax rate to 74.9%, and revenue increased by 1.8 million over the previous year.

Residents of our neighboring states visit Oregon not only for its natural beauty, but also for its tax-free shopping, dining, and entertainment. We see this in the Portland metro area where thousands and thousands of people cross into our state daily to work, shop, and dine. In fact, we see it all along the borders of Washington, Idaho, Nevada, and

California. Increasing Oregon's tobacco taxes will put us at a higher tax rate than Washington, Idaho, and California. Those out of state consumers will turn to shopping in their own backyard instead of in Oregon or buying online. All in all, Oregon businesses and communities will pay the price and suffer.

If these tobacco taxes pass, I feel A&S Marketing's sales volume will be cut by 50% based on what happened in Washington. We would be forced to lay off several of our employees, and we will collect less taxes for the state. Adult smokers and tobacco consumers, who make up a small population of the state, should not be singled out by legislators as an easy way to raise tax revenue. Let's tax a utility, commodity, or other products used by the majority Oregon residents to generate additional revenue. I urge you to oppose any and all tobacco tax increases.

Thank you for your time.

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a division of:

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