

April 10, 2019

Committee of Revenue  
900 Court Street NE, Suite 254  
Salem, Oregon 97301

RE: Opposition to Tax  
Tobacco and Vape Taxes

Dear Committee of Revenue Members

I've been a business owner in the State of Oregon for 25+ yrs. I currently own a small chain of tobacco stores, with two of them located on the Oregon/Washington Border; Rainier and Astoria. We currently have gross tobacco sales of approximately \$20M annually.

Currently, our Rainier location alone (and there are 4 businesses there that sell tobacco) generates nearly \$10M in tobacco tax revenue alone.

I'm hearing rumblings of a SIGNIFICANT TOBACCO TAX INCREASE that may cause rippling effects on our business that has me concerned, not for me, but for the 40 people I currently employ that rely heavily on the Washington business for their wages.

Including employing 40 employees, I offer good wages as well as a 401k retirement program, as well as other incidental benefits. This is only possible with the added revenue generated from the tax advantage we have over the State of Washington.

We are currently in the middle of a real estate investment that involves expansion of our existing business which would add another 10 jobs. That has to be put on hold until we are clear on the current tobacco tax rates and whether or not we lose any advantage over the State of Washington. that will most certainly require cancellation of the acquisition, development and capital expenditures planned for 2019.

And Finally, we are in the middle of a capital expenditure, which includes a \$750,000 building for our Rainier business that is also the kick-starter to the development of a 20 acre parcel at the foot of the Rainier Bridge. This project has been in the works and relies heavily on the traffic generated by the tobacco, liquor and lottery at that hub.

A tax increase of the magnitude that you are proposing would have a catastrophic financial impact, which would include cancellation of all land acquisitions and construction projects, termination of at least half our staff, and quite possibly the closure of some of our businesses altogether.

It goes without saying that a \$2 per pack increase, and an OTP Tax increase from 65% to 95%, as well as vaping taxes would cause harm to our businesses and the employees.

If you are trying to curtail youth access, pricing doesn't do that, access does. Although I believe the C-Store lobbyists are too strong for you to take on, the correct approach would be to allow access to these products in 21+ outlets. This would curtail the visibility to minors in convenience store locations. Tobacco isn't a key element of their operations, beer is, so this wouldn't literally "snuff out" their operations.

As for the tax revenue side, I believe you should consider (1) Implementing a tax of \$1 per carton every year for 10yrs; (2) Leave OTP tax as is at 65%; (3) Leave Cigar tax cap at \$.50 per stick; and (4) apply a 25% tax to vape liquids, and exclude hardware..

The proposal above would maintain the sustainability of the businesses, continue to generate tax revenue and support expansion our business that includes adding additional employees.

With that all said, I would request a meeting with Governor Brown or a revenue committee to discuss this in person. I'm not asking for a long, drawn out meeting but a few moments to discuss my concerns in person.

I look forward to something positive coming from this letter.

On behalf of me and my employees, thank you for listening to our concerns.

Respectfully,

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Cc: Senator Betsy Johnson  
Governor Brown