May 21, 2025

The Honorable Mark Meek
Chairman, Senate Finance and Revenue Committee
900 Court Street
Salem, Oregon, NE 97301

Dear Senator Meek,

Small retailers in Oregon provide convenient locations for customers to purchase items they use every day. These stores are a part of their communities. Passage of A-engrossed SB 702 would unquestionably threaten the financial viability of these small businesses across the state.

The attached report highlights the significant impact that SB 702-A would have on retail stores and the customers they serve. Stores won't just lose tobacco sales to adult customers; they will lose secondary or sundry sales. It should be recognized customers frequently purchase additional goods at the same time they purchase tobacco products. The average store could lose $250,000 or more, annually, if this bill passes. Estimates show passage of SB 702-A could also result in the loss of as many as 2,900 jobs. Furthermore, products used every day by adults and currently available at nearly 3,000 stores could be limited to fewer than 282 locations.

The revenue impact to the state would be significant. Oregon collected nearly $100 million in excise tax revenues from the sale of flavored cigarette and tobacco products in the states' non-liquor stores. SB 702-A would reduce the store count where these products may be sold by 95%. On Oregon's border, consumers might find it more convenient to cross a border to purchase flavored products than travel to a liquor store. In other cases, they might seek online sources of flavored tobacco products and evade Oregon taxes altogether. The result would be the loss of a substantial portion of the $100 million in excise taxes from flavored products.

Oregon has numerous existing laws that are designed to prevent youth tobacco use. In Oregon, the state requires retail stores be licensed to sell tobacco products and any retailer that sells products to minors is at risk of losing their license and the ability to sell tobacco products. Youth accessing tobacco products is more likely to be a result of illegal products coming in from overseas than from local convenience stores. It should also be noted with respect to "compliance checks," the general retail sector maintains a far better record than that of state-sanctioned liquor stores.

We ask you oppose SB 702-A and not advance the bill. Retailers are willing to participate as part of a workgroup or task force to discuss approaches aimed at preventing minors from accessing any tobacco products without imposing an outright ban or moving products out of the traditional retail sector.

SB 702-A fails to address the problem of youth access and would have a significant economic impact for community stores, customers, and Oregon businesses. We believe the focus of any legislation should be on the issue of tobacco use and minors, along with issues of access to such products by minors.

In summary, the proposal to restrict the sale of flavored tobacco products or inhalant delivery systems solely to state-sanctioned stores would result in the displacement of hundreds of millions of dollars in legal retail sales from Oregon's retail sector to "state stores." As previously noted, this would not only have a devastating impact on Oregon's retail sector, but would have a serious negative impact on Oregon tobacco tax receipts.

The Economic Impact of a Flavored Tobacco Amendment to SB 702

An amendment to Senate Bill 702 would require all flavored tobacco products and inhalant delivery system products[1] to be sold in state-licensed liquor stores.[2] This law would cover a wide scope of products including, cigarettes, cigars, smokeless tobacco, vaping products, and alternative nicotine products, all of which come in a flavor besides "tobacco." The market share of flavored products is quite high in Oregon, ranging from 17% for menthol cigarettes, to 58% for moist snuff, to 66% for vapor cartridges and upwards of 90% for open-system vapor products.[3]

The "Inconvenience Tax" on Consumers

This amendment would cause the number of stores selling tobacco in Oregon to fall by as much as 95%. This bill would reduce the availability of popular tobacco products, creating inconvenience for adult consumers and economic damage to thousands of retailers.

- **There are just 282 Oregon state-controlled liquor stores.[4]**

- **Fewer than half of Oregon's liquor stores have tobacco licenses.[5]**
  In comparison there are more than 2,600 Oregon stores with tobacco licenses.[6]

- **While liquor stores with tobacco licenses represent almost 5% of all tobacco-licensed stores, they sell fewer tobacco products than their share of stores would indicate.** Just 3.55% of cigarettes, 0.53% of vapor products, and 2.53% of smokeless tobacco products are sold at Oregon's liquor stores.

  The fact that more than half of all liquor stores do not sell tobacco products and that those that do sell them sell such small quantities sends a loud and clear message – liquor stores are not all that interested in tobacco sales and adult consumers are not all that interested in shopping for their tobacco products there. This may be an issue of floor or inventory space, product mix, the type of customer these stores attract, or some other business or financial reason.

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[1] Oregon uses the term "inhalant delivery system products." These are more commonly known as vapor products or e-cigarettes and are used interchangeably here.

[2] Unlike most control states, Oregon distributes alcohol and licenses to independently operated-retail liquor stores.

[3] Estimated from industry statistics.

[4] Oregon Liquor and Cannabis Commission, https://www.oregon.gov/olcc/liquorstores/pages/retail_expansion.aspx#:~:text=The%20OLCC's%20retail%20expansion%20program,liquor%20stores%20operating%20in%20Oregon.

[5] Based on industry sales data from Management Science Associates that indicates cigarette sales were made to just 127 liquor store accounts (there were more cigarette accounts than vapor or smokeless tobacco accounts).

[6] Oregon Department of Revenue, Businesses, Tobacco Retail Licensing, "List of Oregon Tobacco Retailers Licensed with the Oregon Department of Revenue" 7 April 2025. https://www.oregon.gov/dor/programs/businesses/pages/statewide-tobacco-retail-license.aspx.

Regardless, the result is that consumers will see as much as a 95% drop in the number of stores in which they can purchase tobacco products.

- **A recent study estimated that the proposed policy change would lead to a 56% increase in the time Oregonian consumers spent driving to a store that sells flavored tobacco products.[7]**

- This paternalist "Inconvenience Tax" is unnecessary, as both state and federal laws are already on the books to prevent sales to those under 21. Tobacco stores must be licensed by the Oregon Department of Revenue, and the licensing fee of $953 per year pays for inspections of retail locations. Violations include civil penalties and the potential loss of the ability to sell tobacco products.[8]

The Economic Damage to non-Liquor Stores

This amendment will do great economic harm to the more than 2,500 tobacco licensees that are unable to sell liquor and account for 96.5% of all cigarette sales and an even greater share of other tobacco product sales.

- Cigarettes and other tobacco products are more important to these stores than they are to liquor stores, and **flavored cigarettes and tobacco products account for nearly 33% of total tobacco sales.[9]**

- **These stores stand to lose $433 million in flavored cigarette and tobacco sales alone.**[10] (Table 1)

Table 1. FY 2024 Oregon Tobacco and Vape Estimated Retail Sales (Non-Liquor Stores)[11]

	Retail Value (all tobacco)	Flavored Retail Value
Cigarettes	$947,240,352	$161,030,859
OTP	$279,894,223	$210,007,717
Vapor Products	$84,199,177	$61,700,587
Total	$1,311,333,752	$432,739,163

[7] Trangenstein, P.J., Patterson DM, Karriker-Jaffe KJ, et. al. "Limiting Tobacco Accessibility by Transitioning Tobacco Sales to State Alcohol Stores: Estimated Increases in Travel Time and Changes in Associated Disparities," Tobacco Control, 2025;0:1–8. doi:10.1136/tc-2024-059033.
[8] Oregon Health Authority, Oregon Tobacco Retail License Program, https://www.oregon.gov/oha/PH/PREVENTIONWELLNESS/TOBACCOPREVENTION/Pages/retailcompliance.aspx.
[9] Estimate based on industry data and Orzechowski and Walker, The Tax Burden on Tobacco, vol. 59, 2024.
[10] Based on industry data,
[11] OTP in this table includes smokeless tobacco, cigars, and alternative nicotine products. The estimates are calculated by industry shipment data and excise revenues by category from the Oregon Department of Revenue.

- **Oregon retailers could lose more than just tobacco sales.** Consumers are likely to purchase additional goods at the same time as they purchase their tobacco products. At C-Stores, where most tobacco products are sold, this can include gas, milk, prepared foods, alcoholic beverages, and other items. This is another way in which this policy change acts as an "Inconvenience Tax" as trips to purchase flavored tobacco products will likely require an additional trip for sundry products that otherwise could be purchased in one trip.

- **A detailed study on cigarette sales found that for every $8.33 in cigarettes purchased, buyers bought $6.87 in non-tobacco products.**[12]

- That implies that stores that lose their ability to sell flavored tobacco products have as much as **$194 million in sundry product sales at stake** as well. Some or all of these sales could shift to other types of stores.

- **Gross profit losses on the loss of flavored cigarette and tobacco products sales are estimated at $70 million.**

- **This amendment could cost as many as 2,900 Oregonians engaged in the retailing trade their jobs.**[13]

The Convenience Store Impact

Oregon's nearly 2,000 convenience stores (C-Stores) will be especially hard hit, as cigarettes and tobacco products are their top in-store sales items.

- Nationally, C-Stores account for about 82% of cigarette sales and nearly 90% of the sales of other tobacco products.

- **On average, a C-store sells about $747,000 in cigarette and tobacco products per year**.[14]

- **The average OR C-store will lose an estimated $198,000 worth of flavored tobacco products a year under this amendment.**

- **Adding sundry product losses an Oregon C-Store, on average, has nearly $250,000 in retail sales at stake.**

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[12] Presentation by Don Burke, Senior Vice President, Management Science Associates, Inc., at the Federation of Tax Administrators' Annual Meeting (Tobacco Tax Section), Albuquerque, New Mexico, August 13, 2013.
[13] Estimated from tobacco retailing employment figures in John Dunham and Associates, "Economic Contribution of the Tobacco Industry," New York, New York, 2019.
[14] Based on 2023 data from the National Association of Convenience Stores.

The Potential Fiscal Impact

Oregon collected $378 million in excise tax revenue from cigarette and other tobacco products, much of which flows through to support health programs, pay for Oregon Health Plan enrollment, and improve transportation options for the disabled and elderly.

- **Oregon collected nearly $100 million in excise tax revenues** from the sale of flavored cigarette and tobacco products in the states' non-liquor stores.
- By reducing the store count where these products may be sold by 95%, it's likely that this will reduce the sales of those products within the state. On Oregon's border, consumers might find it more convenient to cross a border to purchase flavored products than travel to a liquor store. In other cases, they might seek online sources of flavored tobacco products. This may be especially true of vapor products -- according to Wells Fargo, 25-30% of vapor product sales occur over the internet.[15] The result would be that a substantial portion of the $100 million in excise taxes from flavored products are at serious risk.

[15] Calculations based on data in Wells Fargo Equity Research, "Nielsen: Tobacco 'All Channel' Data 2/24," 6 March 2018.