AMERICANS for TAX REFORM

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Oregon House of Representatives
Oregon State Senate

Dear Members of the Oregon Legislature,

I urge you to oppose the litany of tax increases currently under consideration for inclusion in the budget and other legislation.

The 60-cent per pack cigarette tax included in House Bill 2122 and Governor Ted Kulongoski's proposed budget is a tax on low income individuals. On average, smokers have a median income of a little more than $36,000, about 30 percent less than non-smokers.

Additionally, cigarette taxes are a declining revenue stream that result in future tax hikes. When New Jersey raised the cigarette tax just 17.5 cents, they collected $52 million less than projected, and $22 million below what they collected before the tax hike. Maryland doubled the cigarette tax, only to see a 25 percent decrease in cigarette consumption and a 254 percent increase in cigarettes smuggled across state lines. When Arkansas passed a tax hike on cigarettes this year, it was set to raise $86 million. Just one month later, the state said it would bring in $14 million less than projected. Furthermore, as consumption drops from increased smuggling and higher prices, the cigarette tax will prompt future tax hikes after policymakers become reliant on the statically budgeted and declining revenue stream.

Additionally, a higher tax on beer will both hit lower income individuals and the state's prominent brewing industry. Oregon should be proud to be the second largest producer of microbrews in the country, an industry that contributes billions to the state's economy. Yet, some legislative proposals such as House Bill 2164 have gone so far as to push for an over 1,800% increase in the state's tax on beer. Raising the tax on beer by as much as $1.50 per pint, one-third higher than any other state excise tax on beer, would do more to harm Oregon's economy and microbrewing industry than help revive it.

Finally, House Bill 2001 and other efforts to raise the gas tax not only have a direct negative affect on the pocketbooks of drivers and businesses; they also raise the price of transporting goods. This cost is eventually passed on to consumers in the form of higher prices of nearly every good sold in the state.

If Oregon needs to raise money for capital infrastructure improvements, the state should undertake privatization projects similar to those employed by Chicago and Indiana. In 2005, Chicago leased the Chicago Skyway landing the city $1.8 billion in new funding and allowing them to pay off debt and use the money for other operating costs. Similarly, in 2006, the Indiana Toll Road was leased for an upfront payment of $3.8 billion. Privatization projects invest in infrastructure, create jobs, promote economic growth, and bring billions into the state's coffers – all while avoiding unnecessary tax increases.

As you continue to weigh options to rectify the state's overspending problem, I urge you to oppose all tax increases, including those above. If you have any questions, please contact Kelly Cobb, state affairs manager, at (202) 785-0266.

Onward,

Grover Norquist

CC: Governor Ted Kulongoski