

Borderline Sin (Taxes)

The Border Tax Effect in the Pacific Northwest

Cigarettes, Liquor and Lottery

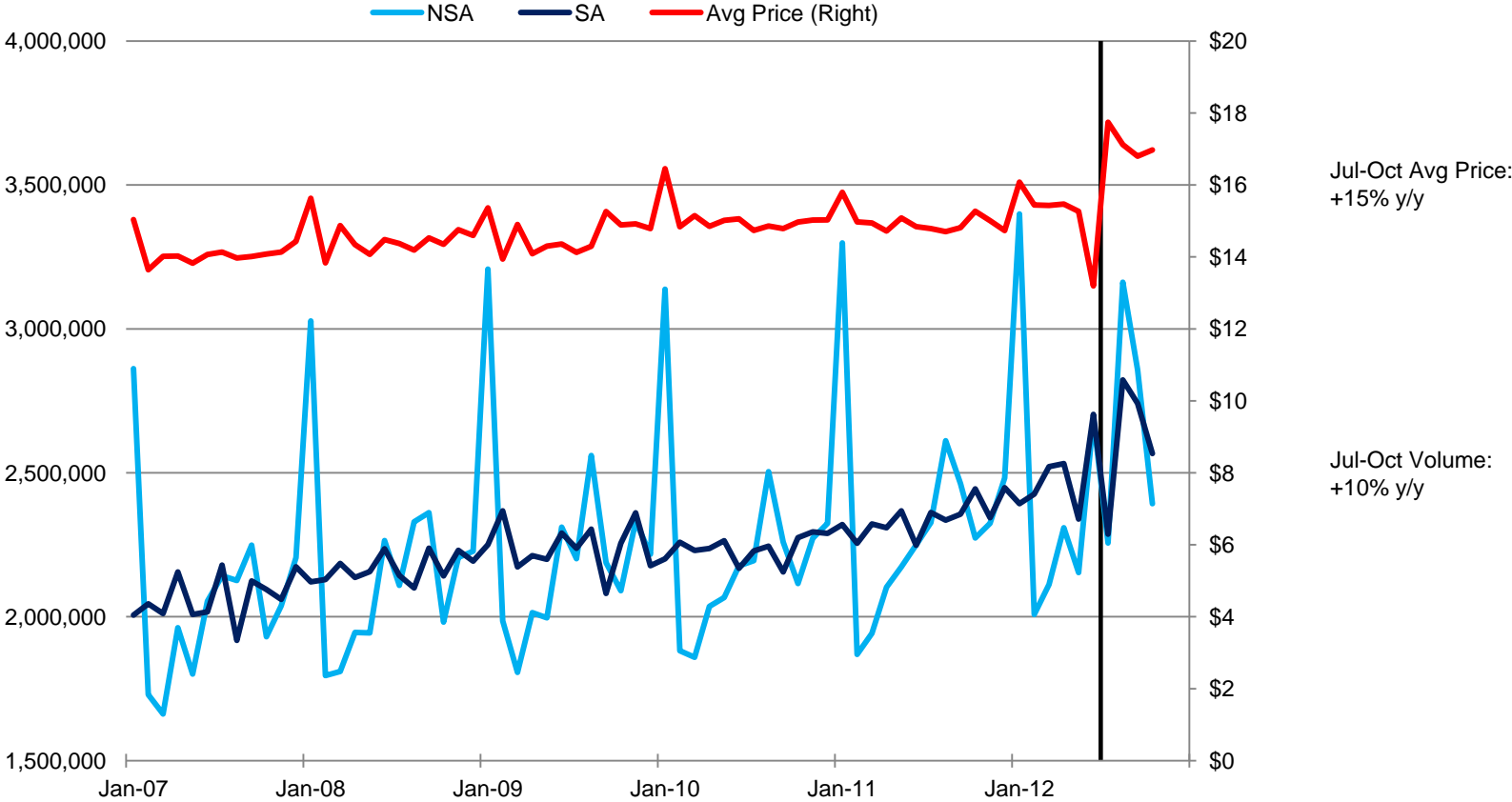
The Border Tax Effect

- Neighboring jurisdictions with different tax rates or structures
- Opportunity to impact consumer, firm and governmental behavior
- The larger the tax differential, typically, the larger the border effect

Liquor

Washington Privatized Liquor

Washington Retail Liquor Sales (Liters)



Source: State of Washington, Economic & Revenue Forecast Council

Prices Much Higher in WA

Oregon - Washington Price Comparison

July 2012

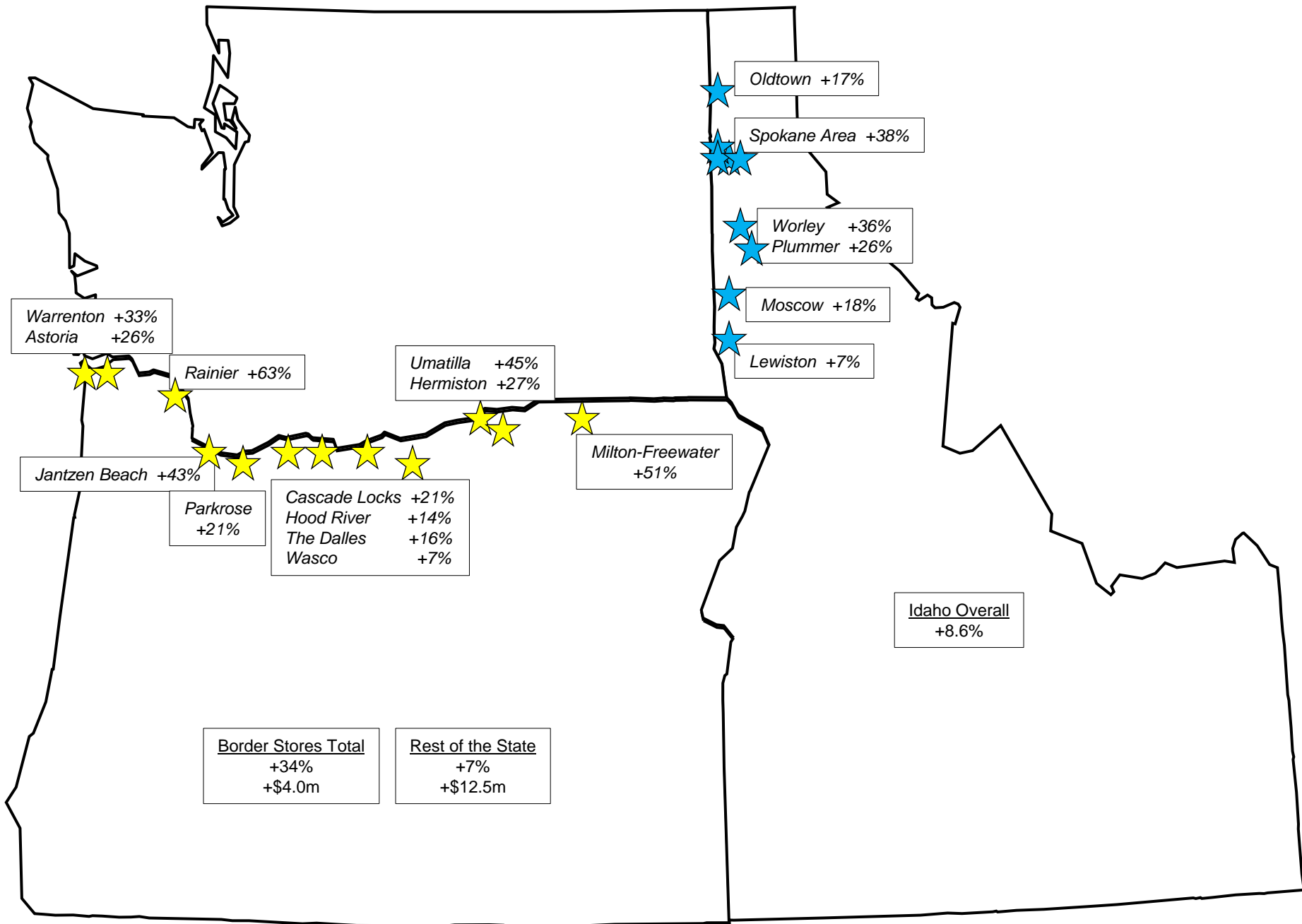
	750ml *	1.75L **
Oregon Avg Price	\$24.83	\$35.61
SW Washington Avg Price	\$32.91	\$44.83
Difference	32.5%	25.9%

* Straight Average of 67 products found in 1 or more Vancouver area stores

* Straight Average of 53 products found in 1 or more Vancouver area stores

Source: Oregon Liquor Control Commission

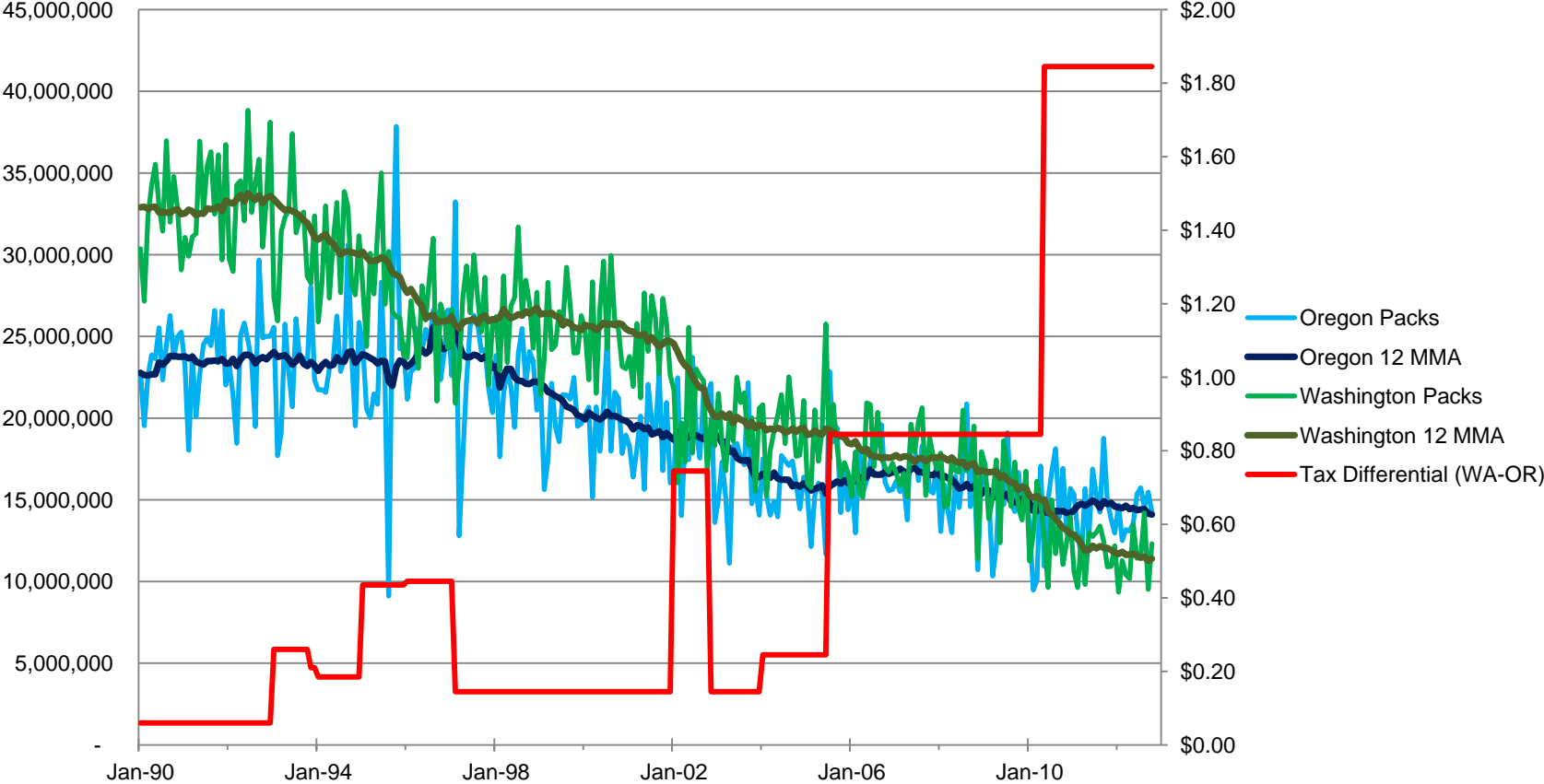
Liquor Store Sales, June – October 2012



Cigarettes

WA Policy Affects OR Sales

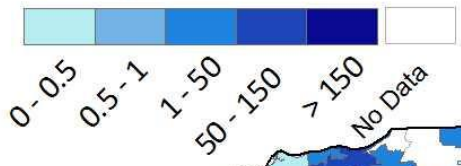
Cigarette Sales (Number of Packs)



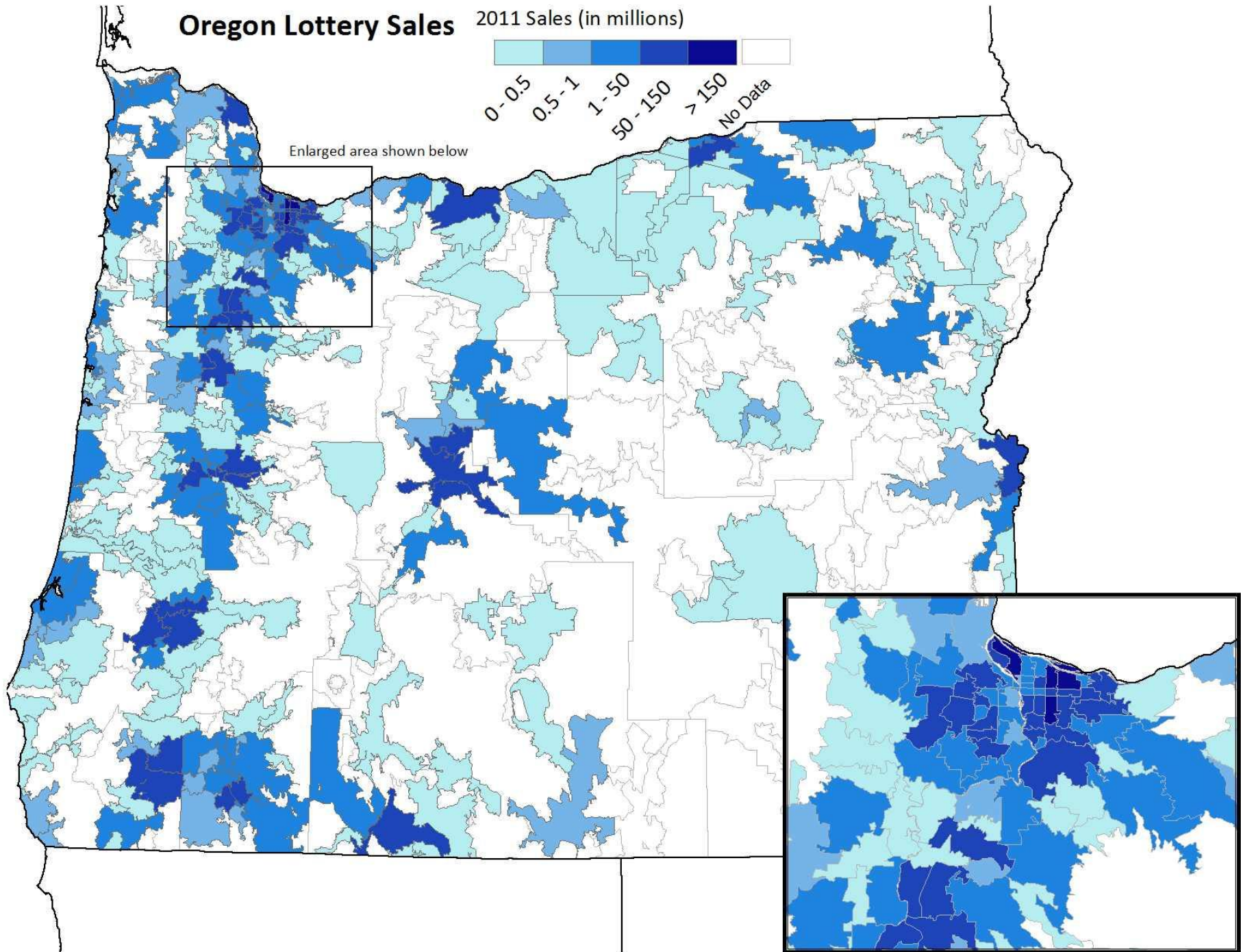
Video Lottery

Oregon Lottery Sales

2011 Sales (in millions)



Enlarged area shown below



Summary

- Tax differentials, in addition to availability and selection, do affect consumer behavior
- Recent tax and regulatory policies in Washington are impacting Oregon sales of liquor and tobacco products
- Oregon's extensive Video Lottery system that includes line games is attracting out of state customers