

# REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly  
2007 Legislative Revenue Office

|                      |                |
|----------------------|----------------|
| <b>Bill Number:</b>  | <b>HB 2571</b> |
| <b>Revenue Area:</b> | Tobacco Tax    |
| <b>Economist:</b>    | Mazen Malik    |
| <b>Date:</b>         | 5/4/2007       |

**Measure Description:** Expands prohibition of smoking in public places and places of employment. Prohibits smoking within 10 feet of entrances, exits, windows and ventilation intakes of public places and places of employment. Specifies exceptions for hotel's sleeping rooms up to 25 percent, and for religious ceremonies. Imposes civil fines for violations.

## Revenue Impact:

| \$ Millions                | 2007-08          | 2008-09          | 2007-09<br>Biennium | 2009-11<br>Biennium |
|----------------------------|------------------|------------------|---------------------|---------------------|
| General Fund               | (\$5.50)         | (\$6.73)         | <b>(\$12.23)</b>    | <b>(\$18.70)</b>    |
| Health Plan                | (\$16.76)        | (\$20.50)        | <b>(\$37.26)</b>    | <b>(\$56.98)</b>    |
| TURA (reduction)           | (\$0.75)         | (\$0.92)         | <b>(\$1.67)</b>     | <b>(\$2.55)</b>     |
| City/County & Transit      | (\$1.25)         | (\$1.52)         | <b>(\$2.77)</b>     | <b>(\$4.23)</b>     |
| <b>Total Tobacco Taxes</b> | <b>(\$24.26)</b> | <b>(\$29.67)</b> | <b>(\$53.93)</b>    | <b>(\$82.47)</b>    |

Reductions in OLCC and Lottery revenues are also likely, but not included in these estimates.

**Impact Explanation:** Taxes are levied on each cigarette and as a percent of wholesale price of other tobacco products. Measure 44 of 1996 brought the cigarette tax rate to 58 cents per pack. With the passage of Measure 20 of 2002, the permanent tax rate on cigarettes became \$1.18 and the other tobacco products tax rate is 65% of wholesale price. Cigarette taxes are distributed as: 22 cents is distributed to the General Fund (18.64%), the Health Plan gets 85.7 cents (72.66%), 3.4 cents goes to (TURA) the tobacco cessation programs (2.9%), 2.3 cents (1.93%) to cities, and equal amounts (1.93%) to counties, and to ODOT for senior and disabled transit. Distributions within cities and counties are based on population. The Other Tobacco Products tax is distributed to the General Fund (53.85%), the Health Plan (41.54%), and TURA (4.62%).

When the state of Washington instituted its smoking restriction with its price tax increase in 2005, the tobacco taxes in Oregon started increasing. This (contrary to trend) phenomenon is interpreted as an increase in sales as well as an increase of smokers (from Clark County) smoking in the more permissive Oregon establishments. Many of those smokers will engage in drinking and playing lottery in Oregon as well, and the restrictions in Oregon will send much of this business somewhere else.

Due to many confounding variables, it is difficult to pinpoint the impact on the currently robust lottery revenues. However, every 1% change in lottery yields about \$13-\$15 million in biennial state revenues.

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