

REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly 2007
Legislative Revenue Office

Bill Number:	SB 571 B
Revenue Area:	Tobacco Tax
Economist:	Mazen Malik
Date:	05/15/2007

Measure Description: Expands definitions of “enclosed area,” “place of employment,” and public place” for purposes of smoking restrictions. Revises finding of people of Oregon relating to secondhand smoke. Prohibits smoking within 10 feet of certain public places. Narrows exceptions to requirement that employer provide smoke-free workplace. Allows exemptions for quarter of hotel rooms, tobacco shops, cigar bars, and the race meet. Specifies effective date as January 1, 2009.

Revenue Impact:

\$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
General Fund	\$0.00	(\$2.23)	(\$2.23)	(\$10.94)
Health Plan	\$0.00	(\$6.79)	(\$6.79)	(\$33.33)
TURA (Tobacco reduction)	\$0.00	(\$0.30)	(\$0.30)	(\$1.49)
City/County & Transit	\$0.00	(\$0.50)	(\$0.50)	(\$2.48)
Total Tobacco Taxes	\$0.00	(\$9.83)	(\$9.83)	(\$48.23)

Reductions in Lottery revenues are expected to occur, however, they are not included in these estimates because it is difficult to pinpoint the impact on the currently robust lottery revenues and to separate the confounding increases that the lottery had been experiencing. The 2009 effective date, however, leaves time and some room for adjustments and change by agency and retailers.

Impact Explanation:

Tax rate on cigarettes became \$1.18 with the passage of Measure 20 of 2002. The other tobacco products tax rate is 65% of wholesale price. Cigarette taxes are distributed in the following way: 22 cents is distributed to the General Fund (18.64%), the Health Plan gets 85.7 cents (72.66%), 3.4 cents went to the tobacco cessation programs (2.9%), and 2.3 cents (1.93%) each to cities, counties, and to ODOT for

	2008	2009	2010	2011	BN	2007-09	2009-11
Current Law Forecast	\$263.88	\$264.57	\$267.41	\$268.08		\$528.45	\$535.49

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 tobacco cessation programs (4.62%). When the state of Washington instituted its smoking restriction with its price tax increase, the tobacco taxes in Oregon, contrary to year in decline, started increasing again. This increase is interpreted as increase in sales as well as an increase of smokers (from Clark County) smoking in Oregon establishments. Many will assume drinking and playing lottery as well. The restrictions in Oregon will send much of this business somewhere else. More importantly, the clean indoor act has been affective, in the places where it was implemented, in reducing smoking levels. This impact assumes that the proposed law is only successful in bringing smoking levels back to their historical trend.

Much attention of the impact on lottery revenue was paid by LRO, however, the phenomenal revenue growth in the recently introduced line games is likely to mask reductions. Due to many confounding variables, it is difficult to pinpoint the impact on the currently robust lottery revenues. OLCC and lottery revenue will be further examined, as more data becomes available. As a rule of thumb, however, every 1% change in lottery yields about \$13-\$15 million change in biennial state revenues.

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