

REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly
2007 Regular Session
Legislative Revenue Office

Bill Number:	SB 571 B-MR
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, bingo halls, the race meet, and smoking areas in restaurants bars and taverns that are restricted by several conditions.

Revenue Impact:

\$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
General Fund	(\$0.86)	(\$1.15)	(\$2.01)	(\$4.36)
Health Plan	(\$2.62)	(\$3.50)	(\$6.13)	(\$13.27)
TURA (Tobacco reduction)	(\$0.12)	(\$0.16)	(\$0.27)	(\$0.59)
City/County & Transit	(\$0.20)	(\$0.26)	(\$0.46)	(\$0.99)
Total Tobacco Taxes	(\$3.80)	(\$5.07)	(\$8.87)	(\$19.21)

Reductions in Lottery revenues are not expected to be significant, because the proposed law allows up to four terminals to be established in the confined smoking area.

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 force many businesses to establish new smoking areas to maintain business, others might choose not to do that and forgo the smoking clientele. More importantly, the clean indoor act, which has been effective, in the places where it was implemented, does not seem to be very effective in drastically reducing smoking once outlets (restricted smoking areas) are provided.

This iteration of the law allows the restricted smoking area to have up to 4-lottery terminal. This allowance will provide affected businesses time and venue to adjust and retain smoking costumers.

State Capitol Building
900 Court St NE, Room H-197
Salem, OR 97301-1347

Phone: 503-986-1266
Fax: 503-986-1770
<http://www.leg.state.or.us>