

REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly
2007 Legislative Revenue Office

Bill Number:	SB 571 C
Revenue Area:	Tobacco Tax
Economist:	Mazen Malik
Date:	06/05/2007

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 without alcohol service, and cigar bars, Specifies effective date as January 1, 2009.

Revenue Impact: The amounts in brackets () represent revenue reductions.

\$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
General Fund	\$0.00	(\$2.28)	(\$2.28)	(\$11.25)
Health Plan	\$0.00	(\$6.96)	(\$6.96)	(\$34.27)
TURA (Tobacco reduction)	\$0.00	(\$0.31)	(\$0.31)	(\$1.54)
City/County & Transit	\$0.00	(\$0.52)	(\$0.52)	(\$2.55)
Total Tobacco Taxes	\$0.00	(\$10.08)	(\$10.08)	(\$49.60)

Although reductions in Lottery revenues are expected, they are not included in these estimates. It is difficult to pinpoint the impact on the currently robust lottery revenues and to separate the confounding variables that the lottery had been experiencing. The 2009 effective date, however, leaves some time and room for adjustments and change by agency and retailers. As a rule of thumb, every 1% change in lottery results in \$13-\$15 million change in biennial state revenues.

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 many years of decline previously and elsewhere, started increasing again. This increase is interpreted as both an increase in sales as well as an increase of out-of-state 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 elsewhere. More importantly, the clean indoor act has been affective, in the places where it was enacted, in reducing smoking levels. This estimate assumes that the proposed law is only successful in bringing smoking levels back to their historical declining trend.

Much attention to the impact on lottery revenue was paid by LRO, however, Due to many confounding variables, it is difficult to pinpoint the impact on the currently robust lottery revenues. The phenomenal revenue growth in the recently introduced line games is likely to mask any expected reductions.

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