

**REVENUE:** May have revenue impact; statement not yet issued

**FISCAL:** Minimal fiscal impact; statement not issued

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**Action:** Without recommendation as to passage and be referred to Committee on Ways and Means

**Vote:** 6-0-3

**Yeas:** Berger, Bruun, Butler, Olson, Read, Barnhart

**Nays:**

**Exc.:** Gelser, Rosenbaum, Witt

**Prepared By:** Mazen Malik, Economist

**Meeting Dates:** 4/5, 4/30, 5/23

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**WHAT THE BILL DOES:** Imposes tax of \$\_\_\_ per ounce on distribution of moist snuff. Takes effect on 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

- The different types of products. Premium (class1), and the other two classes.
- Market share and competition, between brands and companies. Conwood vs USST.
- The tax system is based on value today, penalizes the premium brands.
- Cigarettes are based on unit of volume, but snuff is not standardized in units of weight or other clear and distinct measures.
- Spiral down of current revenue stream. Market share going (16%) to lower price brands (lower tax).
- The weight-based system will take away the automatic inflation adjuster of price base.
- The lower price is appealing to lower buying power, while the premium gains luster on the "cool" brand basses.
- How would a hybrid system between price and weight work, and its advantages or disadvantages.
- The proposed rate per oz (\$1.63). It can be increased in intervals of years or CPI indexed.

**EFFECT OF COMMITTEE AMENDMENTS:** None

**BACKGROUND:**

OTP, Other Tobacco Product is defined as all tobacco that I not a cigarette. This include Cigars, cigarillos (small cigars), chewing tobacco including (Plug-Firm, Plug-Moist, Twist, and loose Leaf), snuff, (Dry and moist). OTP is taxed as a percentage of wholesale prices with cigars capped at 50 cent per cigar.

According to the Economic Research Services (USDA September 2006) Snuff output nationally has increased continuously (more than 40%) for the last 10 years.

Other tobacco tax revenues in Oregon have increased by about 50% in the last 10 years. Currently OTP taxes bring slightly more than \$30 million a year in revenue. However, no differentiation to the type of tobacco is possible for the collection data. However, other sources and states suggest that "Snuff constitutes about 1/3 of the collections.

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*This summary has not been adopted or officially endorsed by action of the committee.*