

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

---

**Action:** Without Recommendation as to Passage and Be Referred to the  
Committee on Revenue by prior reference

**Vote:** 7 - 0 - 3

**Yeas:** Bailey, Bentz, Berger, Boone, Kahl, Schaufler, Beyer

**Nays:** 0

**Exc.:** Edwards D., Gilman, Weidner

**Prepared By:** Patrick Brennan, Administrator

**Meeting Dates:** 3/30, 4/21

---

**WHAT THE MEASURE DOES:** Imposes additional tax on cigarettes, to the amount of 0.35 cents per cigarette, applicable to distribution of cigarettes on or after January 1, 2010. Appropriates continuously the moneys collected from the tax to the Department of Revenue for distribution as specified in the measure. Imposes inventory and reporting requirements for distributors of cigarettes. Takes effect on 91<sup>st</sup> day following adjournment *sine die*.

**ISSUES DISCUSSED:**

- Projected increases in need for special transportation services
- Requirements under Americans with Disabilities Act
- Cost of providing special transportation services
- Importance of transportation services to people with limited mobility

**EFFECT OF COMMITTEE AMENDMENT:** No amendment.

**BACKGROUND:** Cigarettes are taxed in Oregon at the level of the distributor, who is assessed a tax of 2.9 cents per cigarette distributed within the state. Each pack sold in Oregon is stamped in wax prior to distribution to retailers. Because the cost of the tax is passed on to consumers, individuals bringing in more than 199 cigarettes are required to pay the tax themselves.

Revenues generated by the cigarette tax are currently allocated to the General Fund (89.65 percent), cities (3.45 percent), counties (3.45 percent), and to the Oregon Department of Transportation (ODOT) (3.45 percent). ODOT distributes moneys transferred to the Elderly and Disabled Special Transportation Fund. The Special Transportation Fund Program provides financial support to designated counties, transit districts and Indian tribal governments for special transportation services benefiting seniors and people with disabilities. Funds are distributed by both a population-based formula and by the Public Transportation Discretionary Grant Program.

Counties and transit districts provide specialized transportation services for persons who have difficulty utilizing fixed-route public transit, and in areas where public transit is unavailable. These services include door-to-door transportation on demand to help individuals get to doctor appointments or to the grocery store. Such services are significantly more expensive to provide than regular transit on a per-rider basis.

House Bill 2379 creates an additional tax structure for cigarettes, at the amount of 3½ mills (.35 cents per cigarette), that is to be continuously appropriated to the Department of Revenue and distributed from there as follows: 84.28 percent to the Department of Transportation for transportation services to the elderly and disabled; 0.45 percent each to cities, counties, and the Tobacco Use Reduction Account; 11.44 percent to the Oregon Health Plan Fund, and 2.93 percent to the General Fund. The measure also creates a requirement that cigarette distributors inventory the number of affixed and unaffixed cigarette stamps as of January 1, 2010, and to remit the required tax imposed by the measure by January 21, 2010. The measure establishes an effective date of the 91<sup>st</sup> day following *sine die*.

4/22/2009 4:35:00 PM

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