

Joint Committee on Ways and Means

Carrier – House: Rep. Gelser
Carrier – Senate: Sen. Bates

Revenue: Revenue statement issued

Fiscal: Minimal fiscal impact – no statement issued

Action: Do Pass the A-Engrossed Version as Amended and Be Printed B-Engrossed

Vote: 15 – 7 – 0

House

Yeas: Buckley, D. Edwards, Galizio, Jenson, Komp, Kotek, Nathanson, Shields, G. Smith

Nays: Garrard, Gilman, Richardson

Exc:

Senate

Yeas: Bates, Carter, Johnson, Monroe, Verger, Walker

Nays: Girod, Nelson, Whitsett, Winters

Exc:

Prepared By: Doug Wilson, Legislative Fiscal Office

Meeting Date: April 17, 2009

WHAT THE MEASURE DOES: Currently moist snuff is taxed at 65% of the wholesale price, the same as all Other Tobacco Products. This measure changes the method of taxation to a tax based on weight per ounce. The tax on moist snuff will be \$1.78 per ounce, with a minimum of \$2.14 for any retail container. This change is expected to generate an additional \$5.51 million in revenue for the 2009-2011 biennium.

The measure requires that tobacco companies that did not enter into the Smokeless Tobacco Master Settlement Agreement to become participants in the agreement or place amounts similar to the agreement into an escrow (\$0.40 per can). Requires tobacco companies to regularly report to the Attorney General on the presence of an agent, eligibility to do business, maintenance of necessary accounts required by the state, and products manufactured and marketed. The measure prohibits the sale of unreported products and provides for penalties for non-compliance. The bill also restricts the distribution of free samples of smokeless tobacco products. The Department of Justice plans to augment their current registration and reporting system for tobacco products (e.g. cigarettes) to meet the new requirements of the bill for smokeless tobacco products.

ISSUES DISCUSSED:

- Timing of adding new programs to the budget
- Dedicated funding for the programs that were amended out of the bill will be part of the larger discussion on the overall budget later in the session
- Impact of tax/fee increases

EFFECT OF COMMITTEE AMENDMENT: Removed the dedication of tobacco tax revenues to two programs: 1) \$1 million dedicated to the Department of Justice for expenditures related to medical examinations of child victims of suspected physical abuse, and 2) \$500,000 dedicated to the Department of Human Services for a shaken baby prevention pilot program.

BACKGROUND: The tax rate for tobacco products that are not cigars is 65% of the wholesale price. Of the revenue generated from taxes levied on tobacco products, 41.54% is used to fund the Oregon Health Plan, 4.62% goes to the Tobacco Use Reduction Account, and the remainder is placed in the General Fund for general government purposes.