2009 Regular Legislative Session FISCAL ANALYSIS OF PROPOSED LEGISLATION

Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 300 **STATUS:** A Engrossed

SUBJECT: Tobacco Tax Revenues

GOVERNMENT UNIT AFFECTED: Department of Revenue and Public Utility Commission

PREPARED BY: Dawn Farr/John Terpening

REVIEWED BY: Laurie Byerly and Michelle Deister

DATE: April 13, 2009

2009-2011 2011-2013

EXPENDITURES:

See Comments.

REVENUES:

See Revenue Impact Statement prepared by the Legislative Revenue Office.

EFFECTIVE DATE: January 1, 2010

GOVERNOR'S BUDGET: This bill is not anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: The bill authorizes the Department of Revenue to pay expenses for administration of the cigarette taxes program from the taxes collected. The Department of Revenue may enter and examine the premises of any person or business believed to be used for the sale or distribution of cigarettes or tobacco products and a civil penalty shall be issued to any person who prevents entry or examination by the Department. The bill allows the Department of Revenue and the Public Utility Commission to exchange information related to telecommunication providers for the administration of the emergency communications tax and the administration of the Residential Service Protection Fund surcharge.

The Department of Revenue indicates that the bill reinstates the historical funding model that had cigarette tax administration costs covered by taxes collected. Administrative expenses are anticipated to be approximately \$3.4 million for the 2009-11 biennium, which is equivalent to administrative expenditures in the 2007-09 biennium. Last biennium, a specific Other Funds appropriation was made to the Department for these expenses. If this bill does not pass, a similar funding mechanism or General Fund will need to be considered to support program administration.

As the bill does not have an emergency clause or July 1, 2009 effective date, some other funding mechanism will need to be put in place to cover expenditures between July 1 and the January 1, 2010 effective date of the bill.