

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
75th Oregon Legislative Assembly
2009 Regular Session
Legislative Revenue Office

Bill Number: HB 2672-A
Area: Excise Tobacco Taxes
Economist: Mazen Malik
Date: 4/14/2009

Measure Description:

Increases tax on moist snuff. Requires tobacco companies who did not enter into the Smokeless Tobacco Master Settlement Agreement to become participants in the agreement, or place amounts similar to those required by the agreement into an escrow account. Prohibits the sale of unreported products and provides for penalties for non-compliance. Appropriates funds for enforcement; appropriates revenue for shaken baby prevention and child abuse examinations.

Revenue Impact:

	2010	2011	2009-11	2011-13	2013-15
Current Law revenue	\$26.67	\$27.06	\$53.73	\$55.31	\$56.85
Proposed Law revenue	\$29.64	\$29.60	\$59.24	\$58.75	\$57.82
Difference	\$2.97	\$2.54	\$5.51	\$3.44	\$0.97
DHS (Pilot)	\$0.25	\$0.25	\$0.50		
DOJ (examination)	\$0.50	\$0.50	\$1.00	\$1.00	\$1.00
Remaining new revenue	\$2.22	\$1.79	\$4.01	\$2.44	(\$0.03)
OHP @ 41.54%	\$0.92	\$0.74	\$1.66	\$1.01	(\$0.01)
TURA @ 4.62%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
GF	\$0.50	\$0.40	\$0.90	\$0.54	(\$0.01)

Based on March 09 Revenue Forecast

Impact Explanation:

The measure changes the way by which moist snuff is taxed. The current method of taxing moist snuff is the same as the rest of the Other Tobacco Products (OTP), which is 65% of the wholesale price. For moist snuff the method of taxation will change to a weight based (per ounce) tax. The amount of the weight-based tax and resulting revenue are determined.

However, the bill directs funds to health and wellness (shaken baby prevention and child abuse examinations) programs and enforcement of tobacco related regulations.

The suggested rate of taxation based on weight is at \$1.78 per ounce, and the minimum of \$2.14 per can. The new rate is revenue neutral, where it generates more revenue over the period of the three coming biennia, and reduced revenue collection after that and before the indexing takes affect in 2019. Collections and distributions of new revenue will be the same as the old revenue after the deduction for funding of the new programs.

The base revenue estimate for the weight based is \$31.6 million for 2007 and 2008. Taking 3% for distributor collection costs will leave \$30.6 million. The new federal law impact was estimated to have a 3.2% reduction on current revenue.

Creates, Extends, or Expands Tax Expenditure: Yes No

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