

**REVENUE:** No Revenue Impact  
**FISCAL:** Minimal Fiscal Impact

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**Action:** Do Pass  
**Vote:** 3-2-0  
**Yeas:** Hass, Rosenbaum, Burdick  
**Nays:** Morse, Telfer  
**Exc.:** 0

**Prepared By:** Mazen Malik, Economist

**Meeting Dates:** 2/18

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**WHAT THE BILL DOES:** Creates definition of “smokeless tobacco products” for purpose of weight based tax. Allows Attorney General to compel by subpoena information required to be maintained by smokeless tobacco distributors. Eliminates requirement that smokeless tobacco manufacturers pay into escrow in proportion to volume of sales. Requires manufacturers to make annual escrow payments to fund foundation supporting education about smokeless tobacco use. Allows Department of Revenue to disclose information related to smokeless tobacco to Attorney General for purpose of monitoring and enforcing compliance with provisions of Smokeless Tobacco Master Settlement Agreement.

**ISSUES DISCUSSED:**

- DOR requirements for definitional clarity for the 2009 moist snuff legislation.
- The inclusion of the MSA language within the tax methodology change and the confusion it caused in the definition of what is included in the grouping of smokeless.
- Intent of the 2009 session bill about the moist snuff, and the estimated revenue impacts.
- The impact on manufacturers who are not part of the STMSA.
- The way payments into escrow need to occur and how it impact market price.
- *Conwood v. State of Oregon* lawsuit after HB 2672 of the 2009 session

**EFFECT OF COMMITTEE AMENDMENTS:** The measure was not amended in the Senate Finance and Revenue committee.

**BACKGROUND:**

HB 2672 of the 2009 session changed the way the moist snuff is taxed. Previous to 2009, other tobacco products including moist snuff were taxed at 65% of the wholesale price. HB 2672 changed the method of taxation to a weight based tax. An ounce of moist snuff is now taxed at \$1.78 with a minimum of \$2.14 per container. However during the interim the issue of chewing tobacco was identified as being unclear in where it is correctly classified. This measure introduces the weight based tax to the smokeless tobacco products which include chewing tobacco and other forms of tobacco that are consumed in a non combustion fashion. The revenue impact of HB 2672 was based on the smokeless tobacco concept, thus this measure does not change the revenue expectations from the weight based method.

The measure also takes out the escrow payment requirements for the non participation manufacturers and replaces them with payments to foundation fund for education against smokeless tobacco. This amount is equivalent to the sums paid by the participating manufacturers.

The measure also strengthens measures of enforcement and cooperation between the Attorney General and the Department of Revenue.