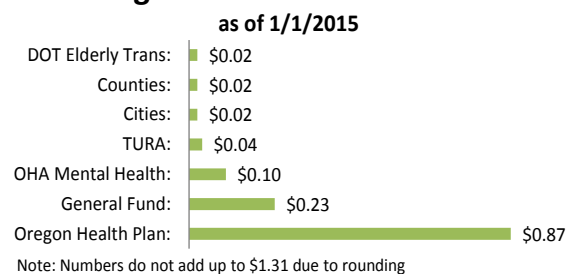


## EXCISE TAXES

### Taxes on Cigarettes and Other Tobacco Products

Excise taxes are imposed on distribution of all tobacco products in Oregon. Taxes are levied on each cigarette and as a percent of wholesale price of other tobacco products. As of January 1, 2015 the tax rate on cigarettes is 65.5 mills per cigarette or \$1.31 per pack of 20 cigarettes. Under current law the tax is scheduled to increase to \$1.32 beginning January 1, 2016 and to \$1.33 beginning January 1, 2018. The distribution of tax revenue per pack of cigarettes is shown at right. Note that the numbers do not sum to \$1.31 due to rounding and TURA refers to the Tobacco Use Reduction Account. Distributions to cities and counties are based on their respective populations.

#### Cigarette Tax Distribution



The Other Tobacco Products (OTP) tax is applied slightly differently depending upon the product. Moist snuff is taxed at \$1.78 per ounce with a minimum tax of \$2.14 per retail container.<sup>1</sup> Cigars are taxed at 65% of their wholesale sales price but the tax is capped at \$0.50 per individual cigar. All other tobacco products not taxed as moist snuff or cigars are taxed at 65% of their wholesale sales price. Distributions of revenues from the Other Tobacco Products tax are displayed in the table to the right.

| Distribution of Other Tobacco Products Tax (1/1/2015) |        |
|---|--------|
| General Fund:   | 53.84% |
| OR Health Plan:                                       | 41.54% |
| TURA:   | 4.62%  |

Additional tobacco revenue is received under the Master Settlement Agreement. Through June 30, 2014, in total Oregon has received over \$1.2 billion in payments and expects to receive about \$165 million for the 2013-15 biennium. The 2003 Session (SB 856) pledged much of this revenue for payments on \$450 million appropriation bonds. In August 2013, payment obligations were met.

| Cigarette and Other Tobacco Products Taxes (\$ Millions) |                    |                    |                   |                       |                      |               |              |
|--|--------------------|--------------------|-------------------|-----------------------|----------------------|---------------|--------------|
| Fiscal Year  | Cigarette Tax Rate | Cigarettes Revenue | Cigarettes Change | Other Tobacco Revenue | Other Tobacco Change | Total Revenue | Total Change |
| 2003-04  | \$1.23             | 240.1              |                   | 25.3                  |                      | 265.4         |              |
| 2004-05  | \$1.18             | 217.8              | -9.3%             | 26.0                  | 2.8%                 | 243.8         | -8.1%        |
| 2005-06  | \$1.18             | 238.7              | 9.6%              | 31.2                  | 20.0%                | 269.9         | 10.7%        |
| 2006-07  | \$1.18             | 240.2              | 0.6%              | 30.9                  | -0.8%                | 271.1         | 0.4%         |
| 2007-08  | \$1.18             | 222.2              | -7.5%             | 32.8                  | 5.9%                 | 255.0         | -6.0%        |
| 2008-09  | \$1.18             | 215.3              | -3.1%             | 32.9                  | 0.4%                 | 248.2         | -2.6%        |
| 2009-10  | \$1.18             | 201.9              | -6.3%             | 37.4                  | 13.7%                | 239.3         | -3.6%        |
| 2010-11  | \$1.18             | 211.6              | 4.8%              | 51.2                  | 36.8%                | 262.8         | 9.8%         |
| 2011-12  | \$1.18             | 203.5              | -3.9%             | 52.2                  | 2.0%                 | 255.7         | -2.7%        |
| 2012-13  | \$1.18             | 198.5              | -2.4%             | 56.7                  | 8.7%                 | 255.2         | -0.2%        |
| 2013-14  | \$1.31             | 201.2              | 1.3%              | 56.4                  | -0.6%                | 257.6         | 0.9%         |

| Combined Distribution of Tobacco Taxes (\$ Millions) |              |             |               |      |                 |              |
|--|--------------|-------------|---------------|------|-----------------|--------------|
| Fiscal Year  | General Fund | Health Plan | Mental Health | TURA | Special Transit | Local Govt's |
| 2003-04  | 53.9         | 184.8       |               | 7.8  | 4.4             | 8.8          |
| 2004-05  | 52.5         | 168.5       |               | 7.3  | 4.3             | 8.6          |
| 2005-06  | 59.4         | 180.7       |               | 8.1  | 4.1             | 8.9          |
| 2006-07  | 60.6         | 185.3       |               | 8.3  | 4.6             | 9.2          |
| 2007-08  | 59.0         | 176.1       |               | 8.0  | 4.6             | 9.2          |
| 2008-09  | 57.1         | 168.5       |               | 7.7  | 4.1             | 8.3          |
| 2009-10  | 57.4         | 161.9       |               | 7.4  | 3.5             | 7.8          |
| 2010-11  | 66.3         | 173.2       |               | 7.9  | 4.0             | 8.1          |
| 2011-12  | 66.1         | 170.8       |               | 7.7  | 3.9             | 7.9          |
| 2012-13  | 67.5         | 168.0       |               | 8.4  | 3.8             | 7.7          |
| 2013-14  | 67.0         | 163.6       | 7.7           | 8.3  | 3.7             | 7.4          |

Page Sources: Oregon Department of Revenue, DAS CFO, DAS Quarterly Economic & Revenue Forecast

<sup>1</sup> Under current law, moist snuff rates are scheduled to be indexed to inflation for reporting periods beginning on or after July 1, 2022. Rates are indexed to one quarter of the change in U.S. City Average Consumer Price Index.

**Oregon Liquor Control Commission (OLCC)**

**OLCC REVENUE (Millions)**

**Revenue: (Alcohol)**

Taxes are imposed on beer and wine manufactured or distributed in Oregon. The current rates are \$2.60 per 31 gallon barrel (8.4¢ per gallon) of beer, Tax on wine is 67¢ per gallon, and 77¢ per gallon for dessert wine (14% to 21% alcohol content). Two cents of the wine tax goes to the Wine Board, 50% of the remaining beer and wine taxes go to Mental Health and Drug Abuse Prevention, and the balance goes into the OLCC Account. Beverages with 21% or more alcohol are exclusively imported and distributed by the state of Oregon. Currently OLCC sets retail prices, on average, at 104% above cost (including shipping, and federal taxes). The net revenue from these operations goes into the OLCC

account. Available revenue in the OLCC account is distributed 56% to state General Fund, 10% to counties by population, 20% to cities by population, and 14% to cities by formula. A surcharge of 50¢ is a temporary add on for the last three budget periods, and generates approximately \$30.0 million a biennium.

The OLCC is also tasked to implement the Marijuana legalization initiative (Measure 91) that was passed in 2014. That implementation is likely to start at the end of 2015, and is likely to generate \$ 40 million in an average biennium after collection and administration costs. Drug abuse and prevention will get 5% of funds distribution, cities and counties at 10% each, 15% to the state police, 20% to mental health account, and 40% to the common school fund.

| Fiscal Year | Beer & Wine Tax |        | Liquor |        | Net Liquor |        |
|-------------|-----------------|--------|--------|--------|------------|--------|
|             | Revenue         | Change | Sales  | Change | Revenue    | Change |
| 1991-92     | 10.7            |        | 83.3   |        | 61.6       |        |
| 1992-93     | 11.0            | 2.2%   | 85.2   | 2.3%   | 62.2       | 1.0%   |
| 1993-94     | 10.6            | -3.6%  | 89.7   | 5.3%   | 65.2       | 4.8%   |
| 1994-95     | 10.6            | 0.2%   | 90.1   | 0.4%   | 65.9       | 1.1%   |
| 1995-96     | 11.2            | 6.0%   | 93.4   | 3.7%   | 67.7       | 2.7%   |
| 1996-97     | 11.8            | 4.7%   | 97.1   | 4.0%   | 70.9       | 4.7%   |
| 1997-98     | 12.0            | 2.4%   | 102.4  | 5.5%   | 73.8       | 4.1%   |
| 1998-99     | 12.1            | 0.4%   | 107.8  | 5.3%   | 76.5       | 3.7%   |
| 1999-00     | 12.4            | 2.4%   | 116.1  | 7.7%   | 84.8       | 10.8%  |
| 2000-01     | 12.5            | 0.9%   | 121.7  | 4.8%   | 85.8       | 1.2%   |
| 2001-02     | 12.7            | 1.5%   | 127.8  | 5.0%   | 93.0       | 8.4%   |
| 2002-03     | 13.3            | 5.0%   | 134.4  | 5.2%   | 97.1       | 4.4%   |
| 2003-04     | 13.7            | 2.6%   | 145.1  | 7.9%   | 107.3      | 10.4%  |
| 2004-05     | 14.0            | 2.2%   | 155.0  | 6.8%   | 111.1      | 3.5%   |
| 2005-06     | 14.8            | 6.3%   | 172.2  | 11.1%  | 126.1      | 13.5%  |
| 2006-07     | 15.2            | 2.3%   | 187.1  | 8.7%   | 130.8      | 3.8%   |
| 2007-08     | 16.1            | 6.2%   | 199.2  | 6.5%   | 141.1      | 7.9%   |
| 2008-09     | 16.1            | -0.4%  | 207.9  | 4.4%   | 151.9      | 7.6%   |
| 2009-10     | 16.6            | 3.3%   | 215.6  | 3.7%   | 159.8      | 5.2%   |
| 2010-11     | 16.2            | -2.4%  | 224.1  | 4.0%   | 162.2      | 1.5%   |
| 2011-12     | 17.3            | 7.0%   | 238.5  | 6.4%   | 180.0      | 11.0%  |
| 2012-13     | 16.4            | -5.2%  | 254.9  | 6.9%   | 189.1      | 5.1%   |
| 2013-14     | 17.5            | 6.4%   | 264.0  | 3.6%   | 196.3      | 3.8%   |

Source: Oregon Liquor Control Commission

**OLCC REVENUE DISTRIBUTIONS (Millions)**

| Fiscal Year    | Wine Board | Mental Health | General Fund | Counties | Cities |
|----------------|------------|---------------|--------------|----------|--------|
| 1991-92        | 0.10       | 5.20          | 36.30        | 6.50     | 22.00  |
| 1992-93        | 0.20       | 5.40          | 38.00        | 6.80     | 23.10  |
| 1993-94        | 0.10       | 5.20          | 40.60        | 7.10     | 24.10  |
| 1994-95        | 0.10       | 5.20          | 41.30        | 7.40     | 25.10  |
| 1995-96        | 0.20       | 5.50          | 37.30        | 6.70     | 22.70  |
| 1996-97        | 0.20       | 5.80          | 48.90        | 8.70     | 29.70  |
| 1997-98        | 0.20       | 6.00          | 45.30        | 8.10     | 27.50  |
| 1998-99        | 0.20       | 5.90          | 45.70        | 8.20     | 27.70  |
| 1999-00        | 0.20       | 6.00          | 51.40        | 9.20     | 31.20  |
| 2000-01        | 0.20       | 6.17          | 52.49        | 9.37     | 31.87  |
| 2001-02        | 0.20       | 6.25          | 54.75        | 9.77     | 33.23  |
| 2002-03        | 0.20       | 6.56          | 60.11        | 10.20    | 34.68  |
| 2003-04        | 0.21       | 6.73          | 62.85        | 11.22    | 38.16  |
| 2004-05        | 0.22       | 6.87          | 65.59        | 11.64    | 39.59  |
| 2005-06        | 0.23       | 7.31          | 74.01        | 13.22    | 44.93  |
| 2006-07        | 0.24       | 7.47          | 75.09        | 13.38    | 45.61  |
| 2007-08        | 0.26       | 7.93          | 82.66        | 14.76    | 50.19  |
| 2008-09        | 0.26       | 7.98          | 93.93        | 15.86    | 53.92  |
| <b>2009-10</b> | 0.27       | 8.28          | 97.32        | 15.02    | 51.06  |
| 2010-11        | 0.27       | 7.97          | 101.25       | 15.64    | 53.17  |
| 2011-12        | 0.28       | 8.30          | 110.20       | 17.12    | 58.20  |
| 2012-13        | 0.28       | 8.05          | 115.36       | 17.94    | 60.98  |
| 2013-14        | 0.29       | 8.63          | 121.43       | 18.97    | 64.49  |

**CIGARETTE EXCISE TAX RATES AS OF JANUARY 1, 2015  
BEER AND WINE RATES AS OF 2014**

**Ranked by Sum of Excise and Sales Tax Rates (Dollars)**

| Rank | Malt Liquor (Beer) per Gallon |              |              | Table Wine (14% alcohol) per Gallon |             |             | Cigarette Taxes (\$'s per Pack) |             |             |
|------|-------------------------------|--------------|--------------|-------------------------------------|-------------|-------------|---------------------------------|-------------|-------------|
|      | State                         | Excise       | Sales        | State                               | Excise      | Sales       | State                           | Excise      | Sales       |
| 1    | Tennessee                     | 1.150        | 0.700        | Florida                             | 2.25        | 2.40        | New York                        | 4.35        | 0.40        |
| 2    | South Carolina                | 0.770        | 0.600        | Rhode Island                        | 1.40        | 2.80        | Rhode Island                    | 3.50        | 0.58        |
| 3    | Hawaii                        | 0.930        | 0.400        | Iowa                                | 1.75        | 2.40        | Massachusetts                   | 3.51        | 0.54        |
| 4    | Mississippi                   | 0.427        | 0.700        | Tennessee                           | 1.21        | 2.80        | Connecticut                     | 3.40        | 0.52        |
| 5    | North Carolina                | 0.617        | 0.475        | Illinois                            | 1.39        | 2.50        | Hawaii                          | 3.20        | 0.35        |
| 6    | Florida                       | 0.480        | 0.600        | New Mexico                          | 1.70        | 2.00        | Washington                      | 3.03        | 0.50        |
| 7    | Alaska                        | 1.070        | 0.000        | New Jersey                          | 0.88        | 2.80        | New Jersey                      | 2.70        | 0.52        |
| 8    | California                    | 0.200        | 0.825        | Virginia                            | 1.51        | 2.00        | Vermont                         | 2.75        | 0.46        |
| 9    | Alabama                       | 0.530        | 0.400        | California                          | 0.20        | 3.30        | Minnesota                       | 2.90        | 0.00        |
| 10   | Washington                    | 0.261        | 0.650        | Washington                          | 0.87        | 2.60        | Wisconsin                       | 2.52        | 0.37        |
| 11   | New Mexico                    | 0.410        | 0.500        | Nevada                              | 0.70        | 2.74        | Dist. of Columbia               | 2.50        | 0.00        |
| 12   | Utah                          | 0.410        | 0.470        | West Virginia                       | 1.00        | 2.40        | Illinois                        | 1.98        | 0.44        |
| 13   | Nebraska                      | 0.310        | 0.550        | Alabama                             | 1.70        | 1.60        | Michigan                        | 2.00        | 0.39        |
| 14   | Illinois                      | 0.231        | 0.625        | South Carolina                      | 0.90        | 2.40        | Maryland                        | 2.00        | 0.38        |
| 15   | Maine                         | 0.350        | 0.500        | Indiana                             | 0.47        | 2.80        | Arizona                         | 2.00        | 0.37        |
| 16   | Oklahoma                      | 0.400        | 0.450        | Mississippi                         | 0.35        | 2.80        | Maine                           | 2.00        | 0.36        |
| 17   | Nevada                        | 0.160        | 0.685        | Nebraska                            | 0.95        | 2.20        | Utah                            | 1.70        | 0.37        |
| 18   | Connecticut                   | 0.240        | 0.600        | Arkansas                            | 0.75        | 2.40        | Alaska                          | 2.00        | 0.00        |
| 19   | Minnesota                     | 0.150        | 0.688        | Connecticut                         | 0.72        | 2.40        | New Mexico                      | 1.66        | 0.32        |
| 20   | Arkansas                      | 0.230        | 0.600        | Georgia                             | 1.51        | 1.60        | Pennsylvania                    | 1.60        | 0.36        |
| 21   | Texas                         | 0.200        | 0.625        | Arizona                             | 0.84        | 2.24        | New Hampshire                   | 1.78        | 0.00        |
| 22   | New Jersey                    | 0.120        | 0.700        | Minnesota                           | 0.30        | 2.75        | Texas                           | 1.41        | 0.36        |
| 23   | Indiana                       | 0.115        | 0.700        | Hawaii                              | 1.38        | 1.60        | South Dakota                    | 1.53        | 0.23        |
| 24   | Rhode Island                  | 0.110        | 0.700        | Vermont                             | 0.55        | 2.40        | Iowa                            | 1.36        | 0.35        |
| 25   | Michigan                      | 0.200        | 0.600        | Michigan                            | 0.51        | 2.40        | Montana                         | 1.70        | 0.00        |
| 26   | Iowa                          | 0.190        | 0.600        | North Carolina                      | 1.00        | 1.90        | Florida                         | 1.34        | 0.33        |
| 27   | West Virginia                 | 0.180        | 0.600        | Idaho                               | 0.45        | 2.40        | Delaware                        | 1.60        | 0.00        |
| 28   | Virginia                      | 0.260        | 0.500        | Maryland                            | 0.40        | 2.40        | Ohio                            | 1.25        | 0.32        |
| 29   | Idaho                         | 0.150        | 0.600        | Texas                               | 0.20        | 2.50        | Arkansas                        | 1.15        | 0.36        |
| 30   | Ohio                          | 0.180        | 0.550        | Dist. of Columbia                   | 0.30        | 2.40        | Indiana                         | 1.00        | 0.37        |
| 31   | Arizona                       | 0.160        | 0.560        | Maine                               | 0.60        | 2.00        | <b>Oregon</b>                   | <b>1.31</b> | <b>0.00</b> |
| 32   | Georgia                       | 0.320        | 0.400        | South Dakota                        | 0.93        | 1.60        | California                      | 0.87        | 0.41        |
| 33   | Louisiana                     | 0.320        | 0.400        | Ohio                                | 0.32        | 2.20        | Nevada                          | 0.80        | 0.36        |
| 34   | Kansas                        | 0.180        | 0.530        | Oklahoma                            | 0.72        | 1.80        | Kansas                          | 0.79        | 0.32        |
| 35   | Dist. of Columbia             | 0.090        | 0.600        | Alaska                              | 2.50        | 0.00        | Oklahoma                        | 1.03        | 0.00        |
| 36   | Maryland                      | 0.090        | 0.600        | North Dakota                        | 0.50        | 2.00        | Mississippi                     | 0.68        | 0.34        |
| 37   | Pennsylvania                  | 0.080        | 0.600        | Pennsylvania                        | 0.00        | 2.40        | Colorado                        | 0.84        | 0.16        |
| 38   | South Dakota                  | 0.270        | 0.400        | Wisconsin                           | 0.25        | 2.00        | Tennessee                       | 0.62        | 0.35        |
| 39   | North Dakota                  | 0.160        | 0.500        | Missouri                            | 0.42        | 1.69        | Nebraska                        | 0.64        | 0.29        |
| 40   | Wisconsin                     | 0.060        | 0.500        | New York                            | 0.30        | 1.60        | Kentucky                        | 0.60        | 0.29        |
| 41   | New York                      | 0.140        | 0.400        | Utah                                |             | 1.88        | South Carolina                  | 0.57        | 0.29        |
| 42   | Missouri                      | 0.060        | 0.423        | Louisiana                           | 0.11        | 1.60        | Idaho                           | 0.57        | 0.29        |
| 43   | Wyoming                       | 0.020        | 0.400        | Wyoming                             | 0.00        | 1.60        | West Virginia                   | 0.55        | 0.29        |
| 44   | Colorado                      | 0.080        | 0.290        | Colorado                            | 0.28        | 1.16        | Wyoming                         | 0.60        | 0.20        |
| 45   | New Hampshire                 | 0.300        | 0.000        | Montana                             | 1.06        | 0.00        | North Carolina                  | 0.45        | 0.22        |
| 46   | Vermont                       | 0.265        | 0.000        | Delaware                            | 0.97        | 0.00        | North Dakota                    | 0.44        | 0.23        |
| 47   | Delaware                      | 0.160        | 0.000        | <b>Oregon</b>                       | <b>0.67</b> | <b>0.00</b> | Alabama                         | 0.43        | 0.20        |
| 48   | Montana                       | 0.140        | 0.000        | Massachusetts                       | 0.55        | 0.00        | Virginia                        | 0.30        | 0.26        |
| 49   | Massachusetts                 | 0.110        | 0.000        | Kentucky                            | 0.50        | 0.00        | Georgia                         | 0.37        | 0.18        |
| 50   | Kentucky                      | 0.080        | 0.000        | Kansas                              | 0.30        | 0.00        | Louisiana                       | 0.36        | 0.19        |
| 51   | <b>Oregon</b>                 | <b>0.080</b> | <b>0.000</b> | New Hampshire                       | 0.00        | 0.00        | Missouri                        | 0.17        | 0.19        |

Source: Excise tax rates from Federation of Tax Administrators (web).

Tax Burden on Tobacco, Orzechowski and Walker

Sales tax rates assume \$11 per gallon for beer, \$40 a gallon for wine.