

Suggested Tobacco Tax: Increase of between \$1.60 and \$1.70 per pack

Tobacco Revenue Distribution Suggestions

1. Tobacco Prevention – Include strategies through the Tobacco Prevention and Education Program (TPEP), State and County Public Health Departments, School Based Health Centers, School Nurse and Behavioral Health programs, and Regional Equity Coalitions who target tobacco prevention outcomes.

Relevant ORS Statutes:

Credited to the Tobacco Use Reduction Account established under ORS 431.832 for the purposes of tobacco prevention and health equity

Continuously appropriated to the Oregon Health Authority for the purposes of making payments to School Based Health Centers established ORS 413.233

2. Cessation Partnerships – Targeting low income and communities of color using State Innovation Model (SIM)-like partnerships between public health departments, CCO's, and community-based groups.

Relevant OR Statutes:

Credited to the Oregon Health Authority for the purposes of tobacco cessation partnerships between Local Health Authorities established under ORS 431.414 and Coordinated Care Organizations established under ORS 414.625

3. Cessation Partnerships with Mental Health and Addiction Services

Shall be credited to the Oregon Health Authority Fund established by ORS 413.101, for the purpose of providing the services described in ORS 430.630.

Background - Current Statutes in Tobacco Tax distributions

323.455. (1) All moneys received by the Department of Revenue from the tax imposed by ORS 323.030 (1) shall be paid over to the State Treasurer to be held in a suspense account established under ORS 293.445. The department may pay expenses for administration and enforcement of ORS 323.005 to 323.482 out of moneys received from the tax imposed under ORS 323.030 (1). Amounts necessary to pay administrative and enforcement expenses are continuously appropriated to the department from the suspense account. After the payment of administrative and enforcement expenses and refunds, 89.65 percent shall be credited to the General Fund, 3.45 percent is appropriated to the cities of this state, 3.45 percent is appropriated to the counties of this state and 3.45 percent is continuously appropriated to the Department of Transportation for the purpose of financing and improving transportation services for elderly individuals and individuals with disabilities as provided in ORS 391.800 to 391.830.

(2) The moneys appropriated to cities and counties under subsection (1) of this section shall be paid on a monthly basis within 35 days after the end of the month for which a distribution is made. Each city shall receive such share of the money appropriated to all cities as its population, as determined under ORS 190.510 to 190.590 last preceding such apportionment, bears to the total population of the cities of the state, and each county shall receive such share of the money as its population, determined under ORS 190.510 to 190.590 last preceding such apportionment, bears to the total population of the state.

(3) The moneys appropriated to the Department of Transportation under subsection (1) of this section shall be distributed and transferred to the Elderly and Disabled Special Transportation Fund established by ORS 391.800 at the same time as the cigarette tax moneys are distributed to cities and counties under this section.

(4) Of the moneys credited to the General Fund under subsection (1) of this section, 51.92 percent shall be dedicated to funding the maintenance and expansion of the number of persons eligible for the medical assistance program under ORS chapter 414, or to funding the maintenance of the benefits available under the program, or both, and 5.77 percent shall be credited to the Tobacco Use Reduction Account established under ORS 431.832.

(5) All moneys received by the Department of Revenue from the tax imposed by ORS 323.030 (4) shall be paid over to the State Treasurer to be held in a suspense account established under ORS 293.445. After the payment of refunds, the balance shall be credited to the Oregon Health Authority Fund established by ORS 413.101 and shall be used to provide the services described in ORS 430.630.

323.457 Distribution of additional tax proceeds. (1) Moneys received under ORS 323.031 shall be paid over to the State Treasurer to be held in a suspense account established under ORS 293.445. After the payment of refunds:

(a) 29.37/30 of the moneys shall be credited to the Oregon Health Plan Fund established under ORS 414.109;

(b) 0.14/30 of the moneys are continuously appropriated to the Oregon Department of Administrative Services for distribution to the cities of this state;

(c) 0.14/30 of the moneys are continuously appropriated to the Oregon Department of Administrative Services for distribution to the counties of this state;

(d) 0.14/30 of the moneys are continuously appropriated to the Department of Transportation to be distributed and transferred to the Elderly and Disabled Special Transportation Fund established under ORS 391.800; and

(e) 0.21/30 of the moneys shall be credited to the Tobacco Use Reduction Account established under ORS 431.832.

(2)(a) Moneys distributed to cities and counties under this section shall be distributed to each city or county using the proportions used for distributions made under ORS 323.455.

(b) Moneys shall be distributed to cities, counties and the Elderly and Disabled Special Transportation Fund at the same time moneys are distributed to cities, counties and the Elderly and Disabled Special Transportation Fund under ORS 323.455. [2002 s.s.3 c.2 §2(3),(4); 2003 c.804 §§5c(3),(4),5e(3),(4); 2005 c.94 §§109,110]



The Burden of Tobacco

Tobacco use is the number one cause of preventable death in Oregon, killing more than 7,000 Oregonians each year. Tobacco use and secondhand smoke exposure are expensive and result in more than \$1 billion in spending for treatment of tobacco-related diseases every year. Consequences of tobacco use include heart disease, asthma, emphysema, stroke, cancers and low-birth weight babies. The Surgeon General anticipates that, in Oregon, 213,400 of today's children will become smokers by the time they are 18 years old. If smoking rates do not decrease, more than 68,000 of these children will die prematurely from smoking.

Savings from Tobacco Prevention

Oregon saves money when fewer people use tobacco. Reductions in adult smoking since the beginning of the Tobacco Prevention and Education Program translate to 180,000 fewer adult smokers in Oregon today.

Price of Tobacco

The Centers for Disease Control and Prevention (CDC) recommend raising the price of tobacco as a priority prevention strategy to reduce tobacco use. Price increases affect young people significantly because they are more price sensitive. According to the CDC, when a portion of tobacco tax revenue is dedicated to evidence-based tobacco prevention and education, tobacco use and exposure is reduced even further.

Oregon's cigarette tax is well below the national average of \$1.54. Oregon spends only 25% of the CDC's recommended investment on tobacco prevention. CDC's recommended investment translates to \$10.09 per Oregonian, per year.

Comprehensive Tobacco Prevention and Education throughout Oregon

A price increase of 10% on cigarettes and other tobacco products will result in a 4% decrease in demand among adults and a 7% decrease in demand among youth.¹ Dedicating 24% of a \$1.00 cigarette tax increase to the Tobacco Use Reduction Account, which funds Oregon's the Tobacco Prevention and Education activities, would bring Oregon into alignment with CDC's recommended funding level for Oregon. See Table B below for more detail.

Oregon's Tobacco Prevention and Education Program works closely Addictions and Mental Health, Coordinated Care Organizations, and other institutions interested in adopting policies and building systems that protect people from tobacco – especially those most likely to use tobacco. Dedication of a portion of new tobacco tax revenue to these systems will expand their ability to engage in community-wide efforts to decrease exposure to secondhand smoke, prevent young people from starting to use tobacco, help youth and adults quit for good, and decrease tobacco use disparities. Through Public Health Division accreditation efforts and the work of the Future of Public Health Task Force, Oregon is in a period of intense capacity building and improvement of its public health system. A dedication of a portion of new tobacco tax revenue to address other leading causes of death and disability in Oregon, as aligned with recommendations from the Future of Public Health Task Force, would reap extensive health benefits – especially for those with disparities – and cost savings in health care.

¹ <http://www.thecommunityguide.org/tobacco/increasingunitprice.html>

Revenue Estimates for 2015-2017 Biennium

Table A: This table shows estimated total revenues from each of seven possible tobacco tax increases.

Increase cigarette tax per pack by	Cigarette taxes (per pack)		Other tobacco products taxes	Cigarettes + Other tobacco products
	State cigarette excise tax as a percentage of wholesale pack price ²	Revenue (millions)	Revenue (millions)	Revenue (millions)
\$0.00	24%	\$367.96	\$116.53	\$484.48
\$1.00	39%	\$601.05	\$204.97	\$806.02
\$1.33	42%	\$669.22	\$234.15	\$903.38
\$1.50	44%	\$702.65	\$249.19	\$951.84
\$1.60	45%	\$721.77	\$258.03	\$979.80
\$1.75	46%	\$749.71	\$271.30	\$1,021.01
\$2.00	48%	\$794.27	\$293.41	\$1,087.68

Table B: This table shows revenue for the Tobacco Use Reduction Account (TURA) that would be generated by each of six possible tax increases, as well as the additional amount needed to achieve CDC Recommended biennial investment of \$78,600,000.

Increase cigarette tax by:	Revenue for TURA generated from current tobacco tax distributions ³ (millions)	New revenue from additional tobacco tax distribution to achieve CDC Recommendation (millions)	Amount of new cigarette tax to TURA to achieve CDC Recommendation (dollars) ⁴	Amount of new cigarette tax to TURA to achieve CDC Recommendation (%)
\$1.00	\$18.86	\$59.74	\$0.2388	23.9%
\$1.33	\$19.97	\$58.63	\$0.2348	17.7%
\$1.50	\$20.54	\$58.06	\$0.2327	15.5%
\$1.60	\$20.88	\$57.72	\$0.2315	14.5%
\$1.75	\$21.38	\$57.22	\$0.2295	13.1%
\$2.00	\$22.22	\$56.38	\$0.2261	11.3%

Table B Interpretation: If cigarette taxes are increased by \$1.00 per pack in 2015-2017, 23.88 cents (23.9%) of the increase would need to be allocated to the TURA to fully fund Oregon's tobacco prevention and education activities. Similarly, if taxes are increased by \$1.75, 22.95 cents (13.1%) would need to be allocated to achieve full funding.

² Calculated based on \$5.603 per pack average retail price (Oregon's 2013 average retail price from The Tax Burden on Tobacco, plus 13 cent tax increase enacted January 1, 2014.) Wholesale markup is estimated at 10%.

³ Includes cigarette tax revenues and OTP tax revenues. Assumes no TMSA allocated to TPEP.

⁴ Other tobacco products taxes are assumed to be held constant.

STATE EXCISE TAX RATES ON CIGARETTES

(January 1, 2015)

STATE	TAX RATE (¢ per pack)	RANK	STATE	TAX RATE (¢ per pack)	RANK
Alabama (a)	42.5	47	Nebraska	64	38
Alaska	200	12	Nevada	80	35
Arizona	200	12	New Hampshire	178	18
Arkansas	115	30	New Jersey	270	9
California	87	33	New Mexico	166	21
Colorado	84	34	New York (a)	435	1
Connecticut	340	4	North Carolina	45	45
Delaware	160	22	North Dakota	44	46
Florida (b)	133.9	27	Ohio	125	29
Georgia	37	48	Oklahoma	103	31
Hawaii	320	5	Oregon (e)	131	28
Idaho	57	42	Pennsylvania	160	22
Illinois (a)	198	17	Rhode Island	350	3
Indiana	99.5	32	South Carolina	57	42
Iowa	136	26	South Dakota	153	24
Kansas	79	36	Tennessee (a)	62	39
Kentucky (c)	60	40	Texas	141	25
Louisiana	36	49	Utah	170	19
Maine	200	12	Vermont	275	8
Maryland	200	12	Virginia (a)	30	50
Massachusetts	351	2	Washington	302.5	6
Michigan	200	12	West Virginia	55	44
Minnesota (d)	290	7	Wisconsin	252	10
Mississippi	68	37	Wyoming	60	40
Missouri (a)	17	51			
Montana	170	19	Dist. of Columbia (f)	250	11
			U. S. Median	136.0	

Source: Compiled by FTA from state sources.

(a) Counties and cities may impose an additional tax on a pack of cigarettes: in Alabama, 1¢ to 25¢; Illinois, 10¢ to \$4.18; Missouri, 4¢ to 7¢; New York City, \$1.50; Tennessee, 1¢; and Virginia, 2¢ to 15¢.

(b) Florida's rate includes a surcharge of \$1 per pack.

(c) Dealers pay an additional enforcement and administrative fee of 0.1¢ per pack in Kentucky and 0.05¢ in Tennessee.

(d) In addition, Minnesota imposes an in lieu cigarette sales tax determined annually by the Department.

The current rate is 52.6¢ through December 31, 2015.

(e) Tax rate in Oregon is scheduled to increase to \$1.32 per pack January 1, 2016

(f) In addition, District of Columbia imposes an in lieu cigarette sales tax calculated every March 31. The current rate is 40¢.