

PRELIMINARY STAFF MEASURE SUMMARY**Senate Committee On Finance and Revenue****Fiscal:** Has minimal fiscal impact**Revenue:** Revenue impact issued**Action Date:****Action:****Meeting Dates:** 04/07**Prepared By:** Kyle Easton, Economist**WHAT THE MEASURE DOES:**

Prohibits distributing, selling or allowing to be sold flavored tobacco products in Oregon. Defines “flavored tobacco product” as tobacco product, or component of tobacco product manufactured to impart characterizing flavor. Defines “characterizing flavor” as distinguishable taste or aroma other than tobacco or menthol. Allows Oregon Health Authority (OHA) to impose a civil penalty of up to \$5,000 for each violation and directs proceeds of civil penalties to OHA fund. Permits OHA to adopt rules. Allows OHA to adopt rules concerning random inspection of places that distribute tobacco products consistent with federal law or regulation relating to inspection. Allows Oregon Liquor Control Commission to assist OHA in their enforcement duties. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Affect of measure on all forms of tobacco (snuff, high end cigars, etc.)
- Taxability of mint flavored products
- Market distinction of small vs. large cigars
- Different consumer markets for premium & small cigars
- Distinction of taxation of cigars as cigarettes
- Return on investment in taxing tobacco products and resulting changes in health care costs for state government
- Clarification on enforcement responsibilities of proposed ban on flavored products
- Timeframe for return on investment for reduced health care costs
- Use of flavored tobacco products by different populations
- Administration of enforcement today
- Impact of federal matching money with Oregon Health Authority
- Costs of regulation and regulation of other or similar products.

EFFECT OF COMMITTEE AMENDMENT:

A4

Changes applicability of prohibition on selling or allowing to be sold flavored tobacco products. Prohibits sale of tobacco products not intended for combustion with distinguishable tastes or aromas other than tobacco, menthol, mint or wintergreen.

BACKGROUND:

Revenue from the taxation of other tobacco products (OTP) is expected to be about \$119 million in the 2015-17 biennium, 53.84% of which (about \$64 million) would be dedicated to the general fund.

Flavored tobacco products as defined in the measure comprise a significant portion of the product line of OTP. Depending upon the OTP product, the percentage of product line that is flavored can vary from little in the case of hand rolled large cigars, roughly half the product line for moist snuff and machine rolled cigars, to most of the product line for shisha, or hookah tobacco.

The A4 amendment would prohibit the sale of noncombustible tobacco products with distinguishable taste or aroma other than tobacco, menthol, mint or wintergreen. Products that would be subject to flavor prohibition limitations include: moist snuff, dry snuff, chewing tobacco, snus and dissolvables. Combustible tobacco products will be unaffected by prohibition and include such products as: cigars, shisha, pipe and roll your own tobacco.