

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, 05/27**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
- Use of unflavored products by youth, shift of teen usage back to unflavored products if measure becomes enacted
- Clarification of "distinguishable taste", and whether if all tobacco products have distinguishable taste of tobacco, then effect of prohibition
- Inclusion of Metro government in leading oversight and enforcement
- Cross-border effects of banning flavored products in Oregon
- removal of inhalant delivery system from introduced version of measure.

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.

A5

Changes applicability of prohibition on selling or allowing to be sold flavored tobacco products. Allows person that distributes, sells or allows to be sold a noncombustible tobacco product in Oregon to distribute, sell or allow to be sold a tobacco product only if the product has the distinguishable taste or aroma of tobacco, menthol, mint or wintergreen, or any combination of the four and tobacco product does not have distinguishable taste or aroma of any other flavor. Includes tobacco products not complying with flavor prohibition in definition of "Contraband tobacco products".

A6

Changes applicability of prohibition on selling or allowing to be sold flavored tobacco products. Prohibits distributing, selling or allowing to be sold certain flavored noncombustible tobacco products in Oregon. Prohibited flavored tobacco products are those that have been manufactured to impart a characterizing flavor other than tobacco, menthol, mint, wintergreen or a combination of those four. Includes tobacco products not complying with flavor prohibition in definition of "Contraband tobacco products".

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.