

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
78th Oregon Legislative Assembly
2016 Regular Session
Legislative Revenue Office

Bill Number: SB 1559
Revenue Area: Cigarette / Tobacco Taxes
Economist: Kyle Easton
Date: 2/2/2016

*Only Impacts on Original or Engrossed
Versions are Considered Official*

SB 1559 requires retailers of tobacco and inhalant delivery system products to be licensed to sell the products in Oregon. Any potential impact upon revenues derived from cigarette and other tobacco products is predicated upon potential changes in consumption of said products resulting from the licensure requirements contained in the measure.

The three primary ways in which the measure is expected to impact consumption of taxed products are: annual licensing fee, limits upon locations of licensed establishments and the potentially limiting of online sales of cigarettes and tobacco products from unlicensed out of state retailers.

The licensing fee is unknown. The measure requires the fee to be reasonably calculated not to exceed the costs associated with administering the licensure program, conducting inspections and providing education and outreach. Initial fiscal estimates would suggest a licensing fee in the \$300 range. Assuming retailers pass along the fee in the form of higher prices for cigarette and other tobacco products, a minimal reduction in consumption would be expected. It is expected that cost of the licensing fee would cause some small volume retailers to discontinue selling cigarette and/or other tobacco products. As these are small volume retailers, impact upon revenue is expected to be minimal. Increases in the license fee, depending upon the amount of the increase, could cause larger reductions in revenue.

The measure's impact upon online sales from out of state retailers is unclear. Assuming the measure does prohibit such sales, the impact upon revenue is expected to be minimal as taxed online sales are a small proportion of overall tax receipts.

The retailer location limitations contained in Section 5 of the measure are expected to have a minimal impact upon revenue.

This office has reviewed the proposed legislation and determined that it has

Minimal Revenue Impact

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