

**HB 2662 STAFF MEASURE SUMMARY**

**House Committee On Revenue**

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**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 3/9

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**WHAT THE MEASURE DOES:**

Increases cigarette tax by \$1.60 per pack applicable to cigarettes distributed on or after January 1, 2018. Modifies distribution of cigarette tax receipts distributed under ORS 323.457. Modification maintains existing law per pack distributions to: Oregon Health Plan, Cities, Counties and Elderly and Disabled Special Transportation. Modification increases or specifies receipt distributions to: Tobacco Use Reduction Account, specified tobacco use cessation programs and for treating persons who are eligible for the Oregon Health Plan and have respiratory conditions attributable to tobacco exposure or use. Applies commensurate floor tax on existing cigarette inventories of retailers and distributors with receipts distributed to General Fund. Eliminates \$0.50 cap on cigar taxation resulting in all cigars taxed at 65% of wholesale sales price, effective January 1, 2018.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

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, 2017 the tax rate on cigarettes is 66 mills per cigarette or \$1.32 per pack of 20 cigarettes. Under current law the tax is scheduled to increase to \$1.33 beginning January 1, 2018. Distribution of tax revenue per pack of cigarettes is as follows:

\$0.86 - Oregon Health Plan | \$0.22 - General Fund | \$0.14 - OHA Mental Health | \$0.03 TURA | \$0.02 (each) - Cities, Counties and DOR Elderly Transportation (note: totals do not sum due to rounding)

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. 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. Distribution of tax revenue from OTP taxation is as follows:

53.84% - General Fund | 41.54% - OR Health Plan | 4.62% - TURA

Under current law, inhalant deliver systems (e-cigarettes and other vapor products) are not subject to established cigarette or other tobacco products taxes.