

HB 2056 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 3/9

WHAT THE MEASURE DOES:

Increases cigarette tax by \$0.50 per pack applicable to cigarettes distributed on or after January 1, 2018. Applies commensurate floor tax to existing inventories of retailers and distributors. Distribution of tax receipts largely proportionate to existing distribution of receipts in ORS 323.031. Receipts resulting from floor tax distributed to General Fund. Increases rate of taxation on other tobacco products (OTP) effective on the 91st day after adjournment sine die. Taxation on cigars increased from 65% to 90% of wholesale sales price, existing cigar cap of \$0.50 remains unchanged. Taxation on moist snuff increased from \$1.78 per ounce to \$2.46, with minimum tax per container increased from \$2.14 to \$2.96. Increases rate of taxation for all products that are not cigars or moist snuff from 65% to 90% of wholesale sales price. Distribution of OTP tax receipts remain unchanged. Sets a tax rate of 0.05 cents per milligram per milliliter of vapor products.

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. At the tax rate of 0.05 cents per milligram per milliliter, the rate of tax on liquid with 12 mg of nicotine per mL would be 0.6 cents per mL. For a concentration of 18 mg of nicotine per mL, the tax rate would be 0.9 cents per mL.