

EXCISE TAXES

Taxes on Cigarettes and Other Tobacco Products

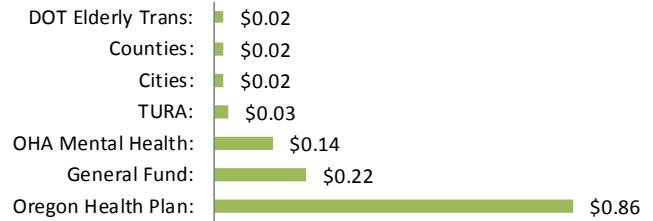
Excise taxes are imposed on distribution of all tobacco products in Oregon. Taxes are levied on each cigarette and as a percent of wholesale price of other tobacco products. As of January 1, 2017 the tax rate on cigarettes is 66 mills per cigarette or \$1.32 per pack of 20 cigarettes. Under current law the tax is scheduled to increase to \$1.33 beginning January 1, 2018. The distribution of tax revenue per pack of cigarettes is shown at right. Note that the numbers do not sum to \$1.32 due to rounding and TURA refers to the Tobacco Use Reduction Account. Distributions to cities and counties are based on their respective populations.

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.¹² 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. Distributions of revenues from the Other Tobacco Products tax are displayed in the table and chart at the bottom of the page.

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

Cigarette Tax Distribution

as of 1/1/2017



Note: Numbers do not add up to \$1.32 due to rounding

Distribution of Other Tobacco Products Tax (1/1/2017)

General Fund:	53.84%
OR Health Plan:	41.54%
TURA:	4.62%

Cigarette and Other Tobacco Products Taxes (\$ Millions)

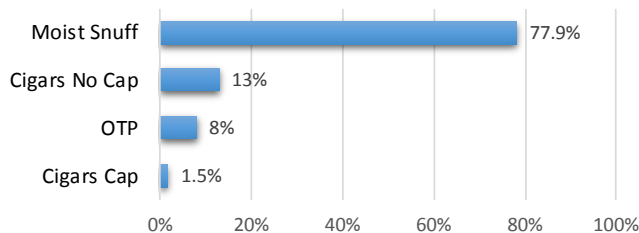
Fiscal Year	Cigarette Tax Rate	Cigarettes		Other Tobacco		Total	
		Revenue	Change	Revenue	Change	Revenue	Change
2005-06	\$1.18	238.7	9.6%	31.2	20.0%	269.9	10.7%
2006-07	\$1.18	240.2	0.6%	30.9	-0.8%	271.1	0.4%
2007-08	\$1.18	222.2	-7.5%	32.8	5.9%	255.0	-6.0%
2008-09	\$1.18	215.3	-3.1%	32.9	0.4%	248.2	-2.6%
2009-10	\$1.18	201.9	-6.3%	37.4	13.7%	239.3	-3.6%
2010-11	\$1.18	211.6	4.8%	51.2	36.8%	262.8	9.8%
2011-12	\$1.18	203.5	-3.9%	52.2	2.0%	255.7	-2.7%
2012-13	\$1.18	198.5	-2.4%	56.7	8.7%	255.2	-0.2%
2013-14	\$1.31	200.6	1.1%	56.2	-0.9%	256.8	0.6%
2014-15	\$1.31	206.1	2.7%	55.7	-0.8%	261.8	1.9%
2015-16	\$1.32	209.8	1.8%	57.4	2.9%	267.2	2.1%

Master Settlement Agreement

Additional tobacco revenue is received under the Master Settlement Agreement (MSA). Through June 30, 2016, Oregon has received over \$1.3 billion in total payments and expects to receive about \$135 million for the 2017-19 biennium. MSA revenue has often been pledged to repay bonded indebtedness.

OTP Receipts Composition

Most Recent 2 Yr Average



Combined Distribution of Tobacco Taxes (\$ Millions)

Fiscal Year	General Fund	Health Plan	Mental Health	TURA	Special Transit	Local Gov't's
2005-06	59.4	180.7		8.1	4.1	8.9
2006-07	60.6	185.3		8.3	4.6	9.2
2007-08	59.0	176.1		8.0	4.6	9.2
2008-09	57.1	168.5		7.7	4.1	8.3
2009-10	57.4	161.9		7.4	3.5	7.8
2010-11	66.3	173.2		7.9	4.0	8.1
2011-12	66.1	170.8		7.7	3.9	7.9
2012-13	67.5	168.0		8.4	3.8	7.7
2013-14	66.3	163.5	7.7	8.3	3.7	7.4
2014-15	67.1	160.1	15.7	8.2	3.6	7.2
2015-16	67.2	161.9	18.9	8.2	3.6	7.3

Page Sources: Oregon Department of Revenue, DAS CFO, DAS Quarterly Economic & Revenue Forecast

¹ Under current law, moist snuff rates are scheduled to be indexed to inflation for reporting periods beginning on or after July 1, 2022. Rates are indexed to one quarter of the change in U.S. City Average Consumer Price Index.

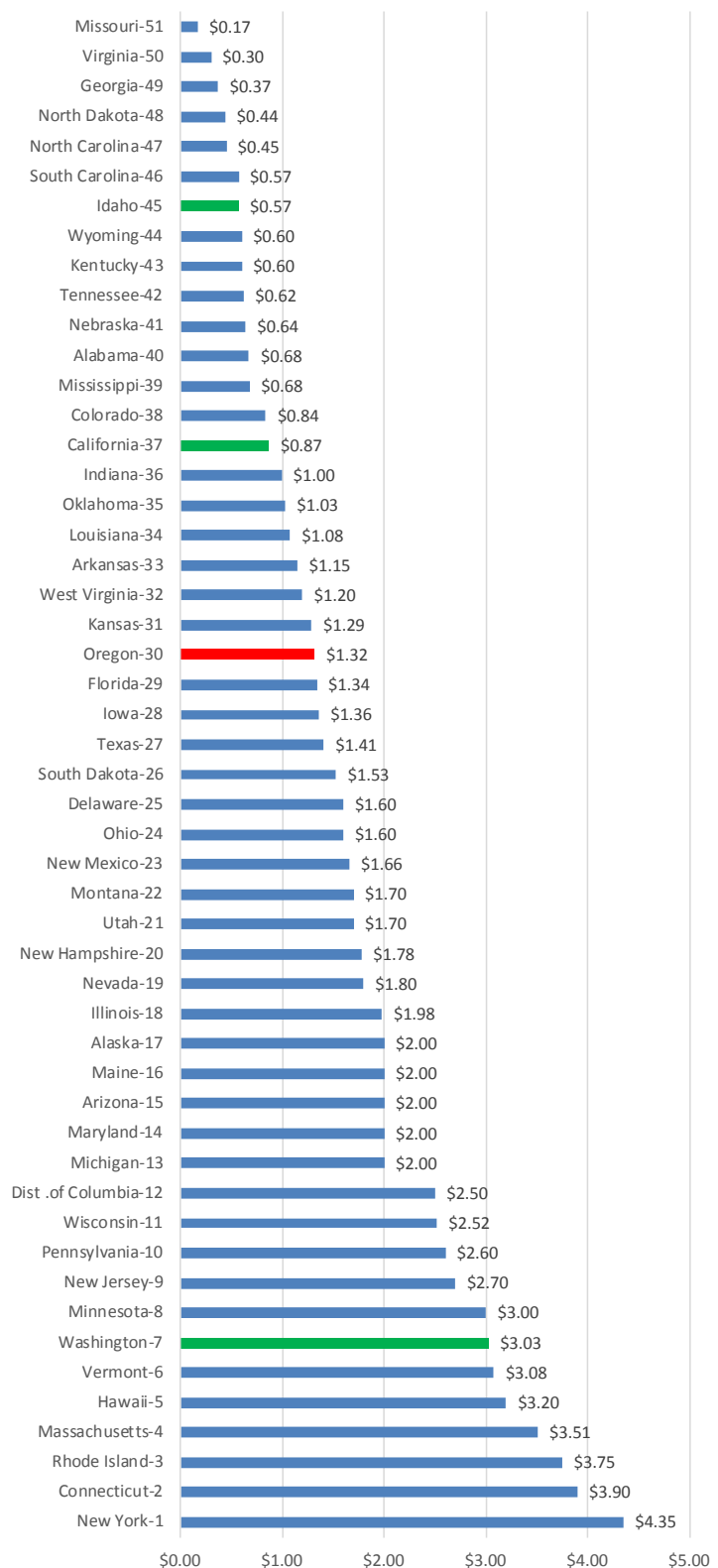
² HB 2672 (2009) changed the method of taxation for moist snuff. Prior to HB 2672, moist snuff was taxed at 65% of the product's wholesale sales price. HB 2672 (2009) changed the method of taxation from wholesale sales price to the current law weight based approach.

Cigarette Tax Rates as of January 1, 2017 - Rankings by Cigarette Excise Tax

State Cigarette Excise & Statewide Sales Taxes as of Jan. 1, 2017 (\$'s per Pack)			
Rank	State	Excise	Sales
1	New York	4.35	0.41
2	Connecticut	3.90	0.53
3	Rhode Island	3.75	0.59
4	Massachusetts	3.51	0.56
5	Hawaii	3.20	0.36
6	Vermont	3.08	0.47
7	Washington	3.03	0.52
8	Minnesota	3.00	0.00
9	New Jersey	2.70	0.52
10	Pennsylvania	2.60	0.40
11	Wisconsin	2.52	0.38
12	Dist .of Columbia	2.50	0.00
13	Michigan	2.00	0.40
14	Maryland	2.00	0.40
15	Arizona	2.00	0.39
16	Maine	2.00	0.37
17	Alaska	2.00	0.00
18	Illinois	1.98	0.46
19	Nevada	1.80	0.37
20	New Hampshire	1.78	0.00
21	Utah	1.70	0.38
22	Montana	1.70	0.00
23	New Mexico	1.66	0.33
24	Ohio	1.60	0.33
25	Delaware	1.60	0.00
26	South Dakota	1.53	0.27
27	Texas	1.41	0.37
28	Iowa	1.36	0.35
29	Florida	1.34	0.34
30	Oregon	1.32	0.00
31	Kansas	1.29	0.35
32	West Virginia	1.20	0.30
33	Arkansas	1.15	0.36
34	Louisiana	1.08	0.24
35	Oklahoma	1.03	0.00
36	Indiana	1.00	0.38
37	California	0.87	0.41
38	Colorado	0.84	0.16
39	Mississippi	0.68	0.37
40	Alabama	0.68	0.21
41	Nebraska	0.64	0.30
42	Tennessee	0.62	0.36
43	Kentucky	0.60	0.30
44	Wyoming	0.60	0.21
45	Idaho	0.57	0.31
46	South Carolina	0.57	0.30
47	North Carolina	0.45	0.23
48	North Dakota	0.44	0.24
49	Georgia	0.37	0.20
50	Virginia	0.30	0.27
51	Missouri	0.17	0.20

Note: On 4/1/17, California's tax increases to \$2.87 per pack

State Cigarette Excise Taxes Per Pack
as of January 1, 2017



Sources: Excise tax rates from Federation of Tax Administrators <http://www.taxadmin.org/tax-rates>
Tax Burden on Tobacco, Orzechowski and Walker

Cigarette Tax Distribution – as of 1/1/2018

