

HB 2037 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 3/9

WHAT THE MEASURE DOES:

Increases rate of taxation on cigarettes by \$1.50 per pack of twenty cigarettes. Directs revenues of tax increase to be credited to Oregon Health Authority (OHA) for purpose of providing funds to coordinated care organizations under contract with OHA and requires such funds be used to provide preventive services and innovative, nontraditional health services. Requires at least fifteen percent of moneys credited to OHA to be used to provide mental health services or treatment for substance use disorders. Applies commensurate floor tax on existing inventories of cigarette retailers and distributors. Increases rate of taxation for other tobacco products (OTP). Taxation on cigars increases from 65% of wholesale sales price to 81.25%, with cigar cap increased from \$0.50 to \$0.625. Increases tax on moist snuff from \$1.78 per ounce to \$2.23. Increases minimum moist snuff tax per retail container from \$2.14 to \$2.68. Increases rate of taxation for all products that are not cigars or moist snuff from 65% of wholesale sales price to 81.25%. Modifies distribution of tax receipts of other tobacco products. Defines vapor product and subjects vapor products to tax on other tobacco products. Measure applicable to distributions of cigarettes and other tobacco products occurring on or after effective date of measure. Refers measure to people for approval or rejection at special election held on same date as next primary election.

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.