

February 28, 2018

SB 1528 B-Engrossed

Summary

The -B14 and -B15 amendments:

- Increase cigarette taxes beginning January 1, 2019. All revenue from the rate increase is to be distributed to DHS.
- Impose a cigarette floor tax on all cigarette dealers and distributors on January 1, 2019.
- Impose a tax on “inhalant form nicotine” (vape) products sold as of January 1, 2019.
- Require “nicotine retailers” to collect a tax at the point of sale from consumers for “inhalant-form nicotine”.
- Require “inhalant wholesalers” to collect a tax at the point of first sale in Oregon for containers of inhalant-form nicotine and inhalant delivery systems.
- Allow retailers to deduct and retain a 2% discount for reimbursement of costs to collect the tax.

Comments

Both the -B14 and -B15 amendments were posted to OLIS 2/28/2018. After preliminary review this morning, the department has identified technical concerns related to the increased cigarette tax, the floor tax, and the new vape tax as currently drafted, particularly in the timeline contemplated in the amendments (applicable January 1, 2019). For example, some technical issues we identified in our very quick review include, but may not be limited to the following:

- The definition of “inhalant form nicotine” includes cigarettes, cigars, and other tobacco products that are already taxed under ORS 323.500 to 323.645. This appears to tax these products twice.
- The bill does not provide for distribution of the dealer floor tax or the distributor floor tax receipts.
- Double taxation of “nicotine-form inhalant” products could occur depending upon how retailers package and repackage products containing nicotine.

Additionally, the timeline for these changes is short and may not be possible to accomplish in less than nine months before the effective date of the tax. We are currently still implementing the four new Transportation taxes passed in (2017) HB 2017, the debt collection provisions in (2017) SB 1067, and Federal Tax Reform changes recently passed at the federal level.

Additionally, many of the bills currently being contemplated by the 2018 Legislature related to federal tax reform and other policy options, may also have an impact to our ability to implement a new tax program by January 1, 2019.

Revenue is happy to work with the proponents of these amendments to solve for these technical and timing issues.

For more information about this testimony, contact Deanna Mack 503-947-2082.