

## HB 2270 A -15, -18 STAFF MEASURE SUMMARY

### Joint Committee On Tax Expenditures

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**Meeting Dates:** 6/17, 6/18

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#### WHAT THE MEASURE DOES:

Increases the tax rate on cigarette distributions. Dedicates cigarette taxes from the additional cigarette tax rate to state's medical assistance program and various programs addressing tobacco and nicotine use related health and mental health issues. Amends expense payment provisions in cigarette tax administration and enforcement. Establishes floor tax and dedicates such tax to the Oregon Health Authority Fund. Includes little cigars in the definition of cigarettes. Adds to statutes the definition of inhalant delivery system for the purpose of taxing tobacco products. Imposes tax on such inhalant delivery systems. Dedicates taxes from inhalant delivery system to state's medical assistance program and various programs addressing tobacco and nicotine use related health and mental health issues. Removes the cap on cigar tax. Makes the sale of cigarettes in packages with fewer than 20 cigarettes illegal. Makes the sale of cigars illegal unless the wholesale price of the individual cigar exceeds \$3. Applies to cigarette tax and tobacco products tax reporting periods beginning on or after January 1, 2021. Specifies reporting and information sharing mechanism. Submits this act to the next general election for approval or rejection.

#### ISSUES DISCUSSED:

- Effect of price increases on tobacco use and behavior within Oregon and in other states
- Current level of per cigar tax cap compared to other states
- Internet sales of tobacco products

#### EFFECT OF AMENDMENT:

-15 Removes the local preemption exemption related to inhalant delivery systems.

-18 Reinstates the cigar cap currently in statute at the higher level of \$1.00 per cigar. Removes price floors related to cigars from the bill.

#### BACKGROUND:

Recently, the US has seen an increase in the development and use of inhalant delivery systems and inhalant forms of nicotine (i.e. e-cigarettes and vapor based products). Currently, these systems and forms of nicotine are not taxed within Oregon. According to the Public Health Law Center, as of December 15th, 2018 ten states tax inhalant forms of nicotine. This bill defines these new forms of tobacco use in statute and establishes a tax structure for this form of tobacco. The bill also increases the tax on cigarette distributions by \$2.00 per pack. Currently the per pack tax on cigarette distribution is \$1.33 per pack. The last cigarette tax increase began following the 2013 special session, with tiered increases occurring until 2015.