

HB 2270 STAFF MEASURE SUMMARY

House Committee On Health Care

Action Date: 02/05/19

Action: Without recommendation as to passage, refer to Revenue by prior reference.

Vote: 11-0-0-0

Yeas: 11 - Alonso Leon, Boles, Drazan, Greenlick, Hayden, Keny-Guyer, Mitchell, Noble, Nosse, Prusak, Salinas

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

Prepared By: Oliver Droppers, LPRO Analyst

Meeting Dates: 2/5

WHAT THE MEASURE DOES:

Increases tax on distribution of cigarettes. Expands definition of “tobacco products” to include inhalant delivery systems for purpose of imposing existing tobacco tax. Specifies certain moneys are to be appropriated to Oregon Health Authority for disease prevention and health-related programs. Removes tax limit on higher-priced cigars. Prohibits distribution or sale of cigarettes and certain cigars in packages containing fewer than 20.

ISSUES DISCUSSED:

- Purpose of moving the measure to House Revenue Committee

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

According to the Legislative Revenue Office (LRO), Oregon imposes taxes, referred to as an excise tax, on the distribution of all tobacco products in Oregon (e.g., cigarettes, cigars, snuff). The first tobacco excise tax was passed in 1966 – a \$.04 tax per pack on cigarettes. Taxes are levied on each cigarette and as a percentage of the wholesale price of other tobacco products.

In Oregon, a percentage of revenue from tobacco taxes is used to fund the state’s Medicaid program (Oregon Health Plan). According to LRO, as of January 1, 2019, the tax rate per pack of cigarettes was \$1.33 with .86 cents of that revenue allocated to the Oregon Health Plan.

In recent years, states have added electronic nicotine delivery systems (e.g., e-cigarettes and other vapor products) to the statutory definition of tobacco in order for an excise or special tax (i.e., non-sales tax) to apply to such products. In 2015, Oregon defined inhalant delivery systems as tobacco products for purposes of the Indoor Clean Air Act, but electronic nicotine delivery systems are not currently subject to the state's tobacco tax.

House Bill 2270 increases taxes on tobacco products, adds electronic nicotine delivery systems to taxable tobacco products, and establishes miscellaneous other tobacco-related provisions.