

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
80th Oregon Legislative Assembly
2019 Regular Session
Legislative Revenue Office

Bill Number:	HB 2270 - B
Revenue Area:	Tobacco Tax
Economist:	Dae Baek/Kaitlyn Harger
Date:	6/18/2019

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Increases the tax rate on cigarette distributions. Dedicates taxes from the additional cigarette tax rate to state’s medical assistance program including mental health services, and various programs addressing tobacco and nicotine use related health issues. Amends expense payment provisions in cigarette tax administration and enforcement. Prescribes a 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 system. Dedicates taxes from inhalant delivery system to state’s medical assistance program including mental health services, and various programs addressing tobacco and nicotine use related health issues. Caps a tax on cigars at \$1 per cigar. Makes the sale of cigarettes in packages with fewer than 20 cigarettes illegal. Applies to cigarette and tobacco products taxes beginning on or after January 1, 2021. Specifies reporting and information sharing mechanism. Refers this act to the next general election for approval or rejection.

Revenue Impact (in \$Millions):

	Biennium		
	2019-21	2021-23	2023-25
Total Tobacco Taxes	\$115.0	\$350.4	\$351.1
Cigarette Tax (\$2 per pack, little cigars, floor tax)	\$108.7	\$324.0	\$323.1
Inhalant Delivery System	\$6.0	\$25.1	\$26.6
Increase in cigar tax cap (from 50 cents to \$1 per cigar)	\$0.3	\$1.3	\$1.4

Impact Explanation:

The revenue impact analysis assumes the June 2019 Oregon Economic and Revenue Forecast as the base. The figures here represent changes relative to the forecast if the act is approved by voters.

Cigarette Tax

The measure increases the cigarette tax rate by 100 mills for each cigarette, which equates to \$2 per pack of 20 cigarettes. Under current law, the cigarette tax is \$1.33 per pack of 20 cigarettes. Cigarette taxes serve various policy purposes. The new tax rate is applicable on or after January 1, 2021 if voters approve the measure. The revenue impact for 2019-21 reflects only the last six months of the biennium, which includes a floor tax of \$26.1 million. Going forward, the \$2 per pack tax increase is expected to bring in additional revenue of about \$160

million a year. Little cigars will be taxed as cigarettes under this measure, but the additional revenue from this change is less than \$0.5 million a year.

Inhalant delivery system

The specified inhalant delivery systems are subject to the other tobacco products tax under this measure. The tax rate applied to these systems is 65% of the wholesale price. This tax is new in the state and the revenue impact draws from experience of other states with similar taxing programs.

Increase in the cap on cigar tax

Under current law, the tax rate on cigars is 65% of the wholesale price with the cap at 50 cents per cigar. Under the measure, the cap increases to \$1. Currently revenues from 50-cent cap are slightly less than \$1 million annually. Some additional revenue is expected with the increase in the cap.

Creates, Extends, or Expands Tax Expenditure: Yes No