



House Bill 3940 (2025)

Oral Nicotine Products Tax Implementation Update

House Committee on Revenue

November 19, 2025

Xann Culver, Policy Coordinator

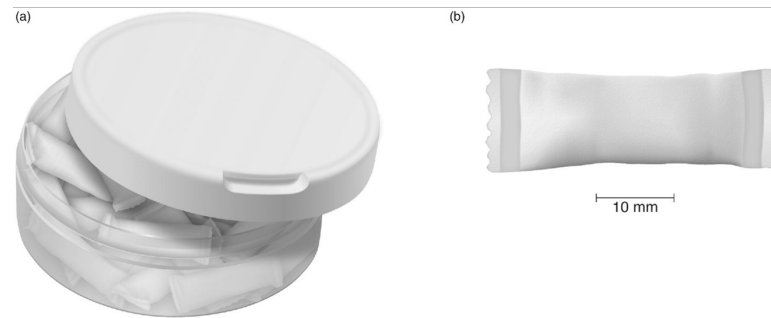
Agenda

1. Oral Nicotine Product Overview
2. Tax Overview
3. Implementation update
4. Questions?

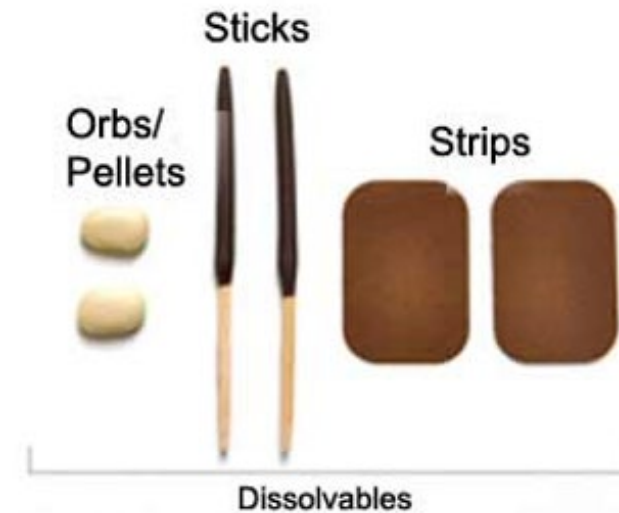
Oral Nicotine Products

- Any noncombustible product that:
 - Contains nicotine derived from any source;
 - Is intended for human consumption via mouth but not by inhalation

Nicotine Pouches



Other Nicotine Products



Source: FDA, <https://www.fda.gov/tobacco-products/products-ingredients-components/other-tobacco-products#Nicotine%20Pouches>

Oral Nicotine Products

- Are not:
 - “Moist snuff” or any products previously taxed as “Tobacco Products”
 - Regulated federally as a drug or device by the U.S. Food and Drug Administration (FDA).



Source: FDA, <https://www.fda.gov/tobacco-products/products-ingredients-components/smokeless-tobacco-products-including-dip-snuff-snus-and-chewing-tobacco>

Taxation of Oral Nicotine Products

How will they be taxed?



- Oral Nicotine Products taxed on the number of units in the package.
 - Minimum tax of 65 cents per package containing 20 or fewer units.
 - Packages containing more than 20 units, the tax is calculated per package at a rate of 3.25 cents per unit, rounded to the nearest cent.
 - For example, a package of 40 units will be taxed at \$1.30 per package.

Who pays the tax?

- Tobacco distributors will pay the tax quarterly
- Oral nicotine tax will be reported quarterly with tobacco taxes, by type of product
- Tax revenue dedicated to Landscape Resiliency Fund and Community Risk Reduction Fund

Form
OR-530

08822601010000

2026
Oregon Quarterly Tax Return
for Tobacco Distributors

Due date is by the last day of January, April, July, and October of each year for the preceding calendar quarter.

Clear Form

Revenue use only
Date received
Payment received

Section 9—Oral nicotine product tax
Packages with 20 or less consumable units reported on lines 47-51. Report the number of packages.

47. Number of packages (20 units or less) of untaxed oral nicotine products (Schedule 9A).....	47.		
48. Number of packages (20 units or less) eligible for credits (Schedule 9B)	48.		
49. Number of packages (20 units or less) sold into other states (Schedule 9C).....	49.		
50. Net packages of untaxed oral nicotine products (Line 47 minus lines 48 and 49).....	50.		
51. Tax on packages (multiply line 50 by \$0.65).....	51.		

Packages with more than 20 consumable units reported on lines 52-55. Report each line as total tax from the schedules.

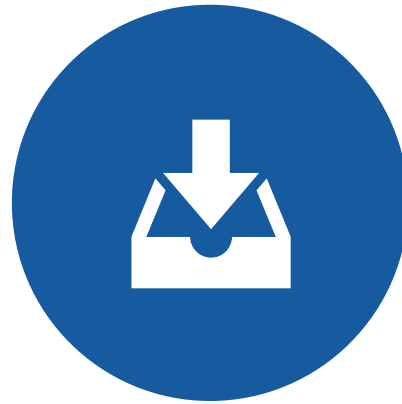
52. Tax on packages (21 units or more) of untaxed oral nicotine products (Schedule 10A)	52.		
53. Tax on packages (21 units or more) eligible for credits (Schedule 10B)	53.		
54. Tax on packages (21 units or more) sold into other states (Schedule 10c)	54.		
55. Net tax on packages containing 21 consumable units or more	55.		
56. Oral nicotine product tax subtotal (Line 51 + 55).....	56.		
57. Oral nicotine product carryover from previous quarter (line 59 from previous quarter's return)	57.		
58. Oral nicotine tax before discount (Line 56 minus line 57).....	58.		
59. Oral nicotine carryforward. If line 58 is less than \$0, enter the amount here. Carry the credit forward to next quarterly return	59.		
60. Net tax on oral nicotine. If line 58 is more than \$0.00, enter the amount here.....	60.		
61. Quarterly oral nicotine tax discount (multiply line 60 by 0.015)	61.		
62. Oral nicotine tax due (line 60 minus line 61).....	62.		

Implementation Updates

Implementation: a 3-pronged approach



IT updates



Forms and
Communication



Rulemaking

IT Updates



- Configuration of external “Revenue Online” System for electronic filing.
- Updates to core systems for processing of returns, payments, refunds.
- Updates to tobacco inspection form for inspections of retail dealers.

Forms and Communication

Return forms:

- 530 (tobacco distributor)
- 531 (unlicensed tobacco)
- 532 (manufacturers)

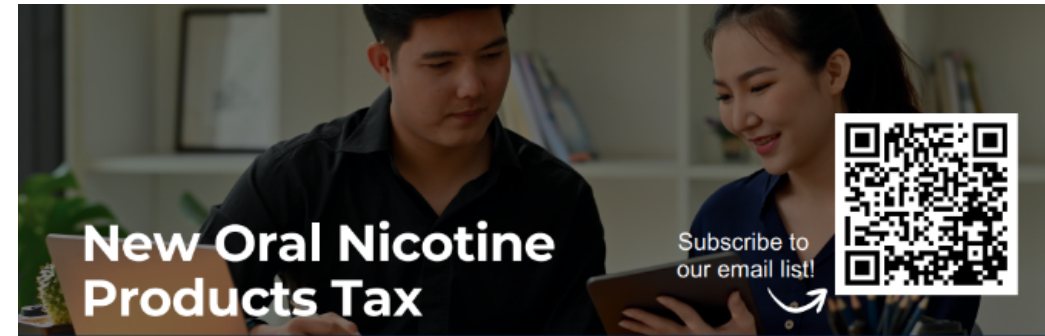
Return schedule forms:

- Schedule 9 (20/fewer units per package)
- Schedule 10 (more than 20 units per package)

Communication:


- One-Time letter to all retailers
- One-Time letter to all distributors
- In-person inspection handout
- Emails to interested parties
- Press Release

In-person Inspection Handout



**New Oral Nicotine
Products Tax**

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The Oregon Legislature passed House Bill 3940 (2025), which creates a new tax on the distribution of oral nicotine products in the state.



When

Beginning on January 1, 2026,
Oral Nicotine Products Tax rates:

- Packages with 20 or fewer consumable units will be taxed at \$0.65 per package.
- Packages with more than 20 units will be taxed at \$0.0325 per consumable unit in the package, rounded to the nearest cent.



What

- On and after January 1, 2026, you must purchase tax-paid oral nicotine products from a licensed Oregon tobacco distributor.
- After January 1, 2026, if you have oral nicotine products for sale that have not been subject to tax, you must file a one-time Form OR-531, Oregon Unlicensed Tobacco Quarterly Tax Return, to report and pay tax on any untaxed inventory. A letter will be sent to you in mid-November 2025, with instructions how to file and pay.

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Rulemaking

- Drafting rulemaking to assist retailers and licensed distributors how to report the tax for distribution of taxable Oral Nicotine Products on or after January 1, 2026.
- Rules Advisory Committee met in September.
- Draft rule published in November Bulletin.
- Public hearing November 18th.



Other implementation notes

- Testing
 - Requires testing hundreds of scenarios to ensure both new and existing return sections are working correctly.
 - Testing to be completed in early December.
- Revenue Accounting
 - Ensures money from new revenue stream is separated from other revenue streams on the return.
 - First distribution of revenue after Q1 2026 returns.

New returns will be available the last week of December for filing as early as January 1.



Questions?

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