

MEASURE 108: Increase/Create Tobacco/Nicotine Tax, Fund Health Programs

OFFICIAL TITLE: Increase cigarette and cigar taxes. Establishes tax on e-cigarettes and nicotine vaping devices. Funds health programs.

REFERENDUM: This measure is a statutory amendment referred to the initiative process by the Legislative Assembly with a House vote of 39 to 21 and a Senate vote of 18 to 7; 2 non-voting.

FINANCIAL IMPACT: The Secretary of State and State Treasurer estimate that the measure will increase net state revenues by \$111.1 million in 2019-21 and \$331.4 million in 2021-23. Local governments, the state's General Fund, and mental health programs at the Oregon Health Authority could see a decline in revenue if the measure passes. The current cigarette tax and the proposed tax are dedicated to different purposes.

Administrative expenses are expected to decrease to approximately \$1.0 million in 2019-21 and \$1.3 million in 2021-23. Beyond the cost of administration, the impact of the revenue increases and decreases on state and local government expenditures is indeterminate and will depend on decisions made by the governing bodies of those governments.

Funds used for Medicaid programs can generate matching Federal funds.

PROBABLE RESULTS OF A "YES" VOTE: As of 1/1/21, the cigarette tax will increase from \$1.33 to \$2.33 per pack, the cigar tax from \$.50 to \$1 each, and a snuff container, to a minimum \$2.14. All other non-taxed nicotine-containing goods, such as e-cigarettes and vaping products, will be taxed at 65% of wholesale.

PROBABLE RESULTS OF A "NO" VOTE: Tax rates for tobacco and nicotine products will remain at current rates.

BACKGROUND: Oregon is one of approximately twenty-two states that do not tax nicotine delivery systems. Twenty-eight states have taxes on e-cigarettes and vaping products that range from 96% of wholesale in Minnesota to five cents per milliliter in several other states. There are debates about ease and cost of record keeping for price versus nicotine content. Nicotine is taxed in California (56.27%), Washington (9 to 27 cents per milliliter), and Nevada (30%). Idaho has proposed a tax of 30%. Measure 108 would place Oregon's tax at 65% of wholesale.

The 2014 U.S. Census State Survey data shows over twice the 'sin' tax collected from tobacco/nicotine as from alcohol or gaming. The CDC reports the highest rates of tobacco use among:

- minorities
- those with a GED or no high school diploma
- those earning under \$35,000 per year (in Oregon the income level is under \$15,000)
- the uninsured

A 2016 report by the Oregon Health Authority shows 17% of adult Oregonians smoke cigarettes and (in 2017) 17% of 11th graders were currently using e-cigarettes.

Current tobacco taxes help fund the Oregon Health Plan.

PROPOSAL: This measure would change the tax formula for tobacco products currently taxed and impose new taxes on any product containing nicotine that is intended to be burned or heated for personal consumption. After payment of administrative distribution ninety percent of the new taxes would be directed toward the Oregon Health Authority to increase the number of people who can receive medical assistance, including mental health services. The remaining ten percent of the funds would go to the Oregon Health Authority for distribution to tribal, cultural and community-specific health providers and programs. The intended result is to discourage tobacco/nicotine use and raise revenue.

ARGUMENTS PRO AND CON:

Yes - For the Measure

- Oregonians should be encouraged to quit using tobacco/nicotine because of the danger to their health.
- The measure expands the current taxation to include new nicotine inhalant delivery systems which may discourage the use of e-cigarettes and vaping products.
- Surrounding states have nicotine taxes in place; Oregon should align with them to discourage cross-border tax avoidance purchasing.

No - Against the Measure

- A tax on e-cigarettes and vaping products may drive people back to smoking cigarettes, a more medically dangerous type of consumption.
- Tobacco taxes are paid disproportionately by low income individuals.
- Sin taxes are a relatively small income generator