

CHAPTER 5. CIGARETTE TAX

Cigarette distributors are required to pay a tax for the distribution of each cigarette in Oregon. Each cigarette is subject to taxation for exactly one distribution. Currently, the tax rate is \$.059 per cigarette or \$1.18 per pack of 20 cigarettes. After administrative and enforcement expenses, the \$1.18 per pack is distributed as follows: 18.6 percent to the General Fund, 72.6 percent to the Oregon Health Plan, 1.9 percent to cities, 1.9 percent to counties, 1.9 percent to the Oregon Department of Transportation, and 2.9 percent to the Tobacco Use Reduction Account.

Cigarette tax revenues for the 2005-07 biennium are forecast to be \$453.9 million and will be distributed as follows: \$87.3 million to the General Fund, \$327.5 million to the Oregon Health Plan, \$13.1 million to the Tobacco Use Reduction Account, and \$26.1 million to Cities, Counties and Public Transit. For the 2007-09 biennium, revenues are expected to be \$464.8 million.

The Oregon cigarette tax began in 1966. Generally, the tax is paid through the use of tax stamps that are purchased by the 70 Oregon licensed cigarette distributors. Distributors may pay the tax at the time they purchase the stamps or defer the payment until the 20th of the month following the purchase.

5.001 SMALL QUANTITY BY CONSUMERS

Oregon Statute: 323.060

Sunset Date: None

Year Enacted: 1965

Total	
2005–07 Revenue Impact:	Less than \$50,000
2007–09 Revenue Impact:	Less than \$50,000

DESCRIPTION: The use or consumption of untaxed cigarettes transported into Oregon as a single lot or shipment of no more than 199 cigarettes is not taxed. This exemption also applies to cigarettes obtained at exempted federal installations when the quantity obtained is no more than 199 cigarettes at one time.

PURPOSE: To avoid the administrative and compliance costs of taxing these small shipments.

WHO BENEFITS: Individuals who transport small quantities of untaxed cigarettes into Oregon or obtain them at federal installations.

EVALUATION: Administratively, it would be virtually impossible to enforce the taxation of small quantities of cigarettes brought into Oregon by consumers. *[Evaluated by the Department of Revenue.]*

5.002 FEDERAL AND VETERAN INSTITUTIONS

Oregon Statute: 323.055

Sunset Date: None

Year Enacted: 1965

Total	
2005–07 Revenue Impact:	Not Available
2007–09 Revenue Impact:	Not Available

DESCRIPTION: Oregon cigarette taxes are not imposed on the sale of cigarettes to United States Army, Air Force, Navy, Marine Corps, or Coast Guard exchanges and commissaries; Navy or Coast Guard ships' stores; the U.S. Department of Veterans Affairs; or ships' stores maintained under federal bond. Also, the sale or gift of federally tax-free cigarettes delivered directly from the manufacturer to a veterans' home, hospital, or domiciliary care facility are not taxed.

PURPOSE: To comply with federal law.

WHO BENEFITS: Members of the United States armed forces that purchase cigarettes at federal institutions.

EVALUATION: This expenditure achieves its purpose of compliance with federal law. *[Evaluated by the Department of Revenue.]*

5.003 RESERVATION CIGARETTE SALES

Oregon Statute: 323.401

Sunset Date: None

Year Enacted: 1979

Total	
2005–07 Revenue Impact:	\$2,500,000
2007–09 Revenue Impact:	\$2,500,000

DESCRIPTION: The Department of Revenue refunds to the governing body of any Indian reservation any cigarette tax collected on sales of cigarettes to Indians.

PURPOSE: To comply with federal law.

WHO BENEFITS: Cigarette retailers and consumers on reservations.

EVALUATION: This expenditure achieves its purpose of compliance with federal law. *[Evaluated by the Department of Revenue.]*