

CHAPTER 6. CIGARETTE TAX

Cigarette distributors are required to pay a tax for the distribution of each cigarette in this state. Each cigarette is subject to taxation for exactly one distribution. Currently, the tax rate is \$.064 per cigarette, or \$1.28 per pack of 20 cigarettes. Of the \$1.28 per pack, \$1.18 is a permanent tax and \$.10 is a temporary tax that was enacted by the legislature in 1993 to fund the Oregon Health Plan. The \$1.18 per pack is distributed as follows: \$.22 goes to the General Fund, \$.86 to the Oregon Health Plan, \$.02 to cities, \$.02 to counties, \$.02 to the Oregon Department of Transportation, and \$.04 to the Tobacco Use Reduction Account. The temporary \$.10 per pack tax dedicated to the Health Plan was extended in the 1997 session to expire December 31, 2003.

Cigarette tax revenues for the 1999-01 biennium were distributed as follows: \$104.3 million to the General Fund, \$174.9 million to the Oregon Health Plan, \$14.2 million to the Tobacco Use Reduction Account, and \$28.4 million to Cities, Counties and Public Transit, for a total distributed of \$321.8 million.

The Oregon cigarette tax began in 1966. Generally, the tax is paid through the use of tax stamps that are purchased by the 80 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.

6.001 SMALL QUANTITY BY CONSUMERS

Oregon Statute: 323.060

Sunset Date: None

Year Enacted: 1965

	Total
2001–03 Revenue Impact:	Less than \$50,000
2003–05 Revenue Impact:	Less than \$50,000

DESCRIPTION: The use or consumption of previously untaxed cigarettes transported to this state in a single lot or shipment of 200 or fewer cigarettes is not taxed. This exemption also applies to cigarettes obtained from exempted federal installations and veterans’ institutions when quantities obtained from those institutions are no more than 200 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 tax free cigarettes into Oregon or obtain them through federal installations or veteran’s institutions.

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.]*

6.002 FEDERAL AND VETERAN INSTITUTIONS

Oregon Statute: 323.055

Sunset Date: None

Year Enacted: 1965

	Total
2001–03 Revenue Impact:	Not Available
2003–05 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 provide an incentive for the armed forces and Veterans Administration to purchase cigarettes in Oregon. This supports the economic activity surrounding their distribution and retailing. Also, these taxpayers are thought deserving of a subsidy for their present or past service to their country.

WHO BENEFITS: Cigarette sellers (primarily wholesalers) and the consumers.

EVALUATION: Because there is only a very small Armed Forces presence in Oregon, this exemption is likely to have little or no impact. *[Evaluated by the Department of Revenue.]*

6.003 RESERVATION CIGARETTE SALES

Oregon Statute: 323.401

Sunset Date: None

Year Enacted: 1979

	Total
2001–03 Revenue Impact:	\$1,200,000
2003–05 Revenue Impact:	\$2,300,000

DESCRIPTION: The Department of Revenue refunds to the governing body of any Indian reservation any cigarette tax collected on sales of cigarettes to Indians upon the reservation and paid into the State Treasury.

PURPOSE: To comply with federal laws that limit the ability of states to tax Indians.

WHO BENEFITS: Cigarette retailers and consumers on reservations.

EVALUATION: Not Evaluated.

