

## CHAPTER 5. CIGARETTE TAX

Cigarette distributors are required to pay a tax for the distribution of each cigarette in Oregon. Any cigarette that has once been imposed of this tax is not imposed any additional tax for subsequent distributions. Currently, the tax rate is \$.059 per cigarette or \$1.18 per pack of 20 cigarettes. The tax 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 revenue for the 2007-09 biennium is forecast to be \$430.9 million and will be distributed as follows: \$80.0 million to the General Fund; \$313.4 million to the Oregon Health Plan; \$12.5 million to the Tobacco-Use Reduction Account; and \$25.0 million to cities, counties, and public transit. For the 2009-11 biennium, revenues are expected to be \$393.9 million.

The Oregon cigarette tax began in 1966. Generally, the tax is paid through the use of tax stamps that are purchased by the 46 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
2007–09 Revenue Impact:	Less than \$50,000
2009–11 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:** The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is 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:** Not evaluated.

### 5.002 FEDERAL AND VETERAN INSTITUTIONS

Oregon Statute: 323.055  
 Sunset Date: None  
 Year Enacted: 1965

	Total
2007–09 Revenue Impact:	Less than \$50,000
2009–11 Revenue Impact:	Less than \$50,000

**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 U.S. Armed Forces that purchase cigarettes at federal institutions.

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

**5.003 RESERVATION CIGARETTE SALES**

Oregon Statute: 323.401

Sunset Date: None

Year Enacted: 1979

	Total
2007–09 Revenue Impact:	\$2,800,000
2009–11 Revenue Impact:	\$2,500,000

**DESCRIPTION:** The governing body of any federally recognized Indian reservation in Oregon may enter into a refund agreement with the Department of Revenue. The agreement may provide for a refund of any cigarette tax collected on sales of cigarettes to tribal members.

**PURPOSE:** To comply with federal law.

**WHO BENEFITS:** Eight of the nine governing bodies of federally recognized Indian tribes in Oregon have entered into cigarette tax refund agreements.

**EVALUATION:** *by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.