

# Changes to Oregon Cigarette and Tobacco Taxes



Oregon voters passed Measure 108, which makes several changes to cigarette and tobacco taxes that will impact your business.

**Beginning on January 1, 2021, the following changes take effect:**

- Cigarette tax will increase by \$2 per pack of 20 and \$2.50 per pack of 25.
- A floor, or inventory, tax will be charged on all Oregon-stamped cigarettes and unaffixed stamps in inventory at 12:01 a.m. January 1, 2021. You must file a floor tax return to report and pay the additional tax due on your inventory.
- Little cigars, collectively weighing 3 pounds or less per 1,000, will be taxed as cigarettes, will require an Oregon cigarette tax stamp, and must be sold in sealed packages of at least 20.
- Inhalant delivery systems, such as vaping and e-cigarette products, will be taxed at a rate of 65 percent of the wholesale purchase price.
- The cap on cigars increases from \$0.50 to \$1.

## What is a floor tax?

A floor tax is a one-time excise tax on the inventory of all cigarettes you have in stock (including little cigars taxed as cigarettes). If you sell these products, you are required to file a return on or before January 20, 2021, to report your inventory and pay the additional tax to bring all product up to the new tax rate of \$3.33 per pack of 20 and \$4.1625 per pack of 25. We will send you a letter in mid-December 2020 with instructions on how to file and pay. You will have the option to pay the floor tax in six equal monthly installments. However, the first payment will be due with your return January 20, 2021.

## What is a little cigar?

See the tobacco tax overview page of the Revenue website at [www.oregon.gov/dor](http://www.oregon.gov/dor) for information about the definition of a little cigar.

## I am an Oregon tobacco distributor and distribute little cigars, how do I purchase cigarette tax stamps?

You will need to apply for an Oregon cigarette distributor license first. Once licensed as an Oregon cigarette distributor, you can purchase cigarette tax stamps from the Oregon Department of Revenue. The stamps are heat applied and require specific equipment for hand stamping or machine application.

## What if I have unstamped little cigars meeting the weight requirement in my retail store on January 1, 2021?

This is considered an untaxed cigarette product on and after January 1, 2021 and subject to seizure.

## I am a retailer that sells delivery inhalant products. What do I need to do?

You must begin purchasing Oregon tax paid products from an Oregon licensed tobacco distributor on or after January 1, 2021 or become a licensed tobacco distributor. A licensed distributor may purchase untaxed inhalant products directly from the manufacturer and must report and remit tax to the department quarterly. Please visit our website for the definition of a delivery inhalant product and more information about becoming licensed as an Oregon tobacco distributor. **If you intend on becoming licensed as a distributor, we recommend applying now.**

## I have untaxed inhalant products that were purchased prior to January 1, 2021.

You must inventory all inhalant delivery system products you have in inventory at 12:01 a.m. on January 1, 2021.

### • Retailers and cigarette wholesalers:

—On or before April 30, 2021, you will file *Oregon Unlicensed Tobacco Quarterly Tax Return*, Form OR-531, to report and pay tax on your inventory. You will only file this return one time. On or after January 1, 2021, you must purchase tax paid product. You will receive more information on how to file Form OR-531 in mid-March 2021.

### • Tobacco distributors:

—You will report your inhalant delivery product inventory on Section 8 of your *Oregon Quarterly Tax Return for Tobacco Distributors*, Form OR-530, for the first quarter 2021, due on or before April 30, 2021.

## How do I stay updated with Oregon cigarette and tobacco tax law changes?

Subscribe to our email updates through the link at the bottom of the page on the Department of Revenue website at [www.oregon.gov/dor](http://www.oregon.gov/dor).

**I still have questions. Whom do I contact?**

Visit our website for additional information. For questions, call 503-945-8120 or email [spa.help@oregon.gov](mailto:spa.help@oregon.gov).

**Do you have questions or need help?**

[www.oregon.gov/dor](http://www.oregon.gov/dor)

503-378-4988 or 800-356-4222

[questions.dor@oregon.gov](mailto:questions.dor@oregon.gov)

Contact us for ADA accommodations or assistance in other languages.