PUBLIC AFFAIRS COUNSEL

Reynolds American is opposed to the ban on flavors proposed with SB 415 and proposed with the -1 amendment to SB 415.

Banning this product will have a significant impact on Oregon's budget. It is estimated that half of customers use flavored chewing tobacco, which is taxed by the Department of Revenue. A statewide ban, would force them to go and get the product elsewhere, either from a neighboring state or online, where the product would avoid Oregon taxes. This would have a significant impact on Oregon's budget and funding for critical programs here in Oregon.

Based on information from retailers that sell products throughout the state, we estimate that the state General Fund would face significant losses. In Oregon, ORS 323.625 defines how revenue collected from tobacco taxes is distributed. 41.5 percent goes to the Oregon Health Plan, and 4.62 percent goes to the Tobacco Use Reduction Account. The rest goes to the General Fund.

- **General Fund could face a loss of just over $31 million annually or $62 million for the 2015-17 biennium.**
- **The Oregon Health Plan would lose nearly $26 million in the 2015-17 biennium.**
- **The state would also lose just under $3 million in funding for tobacco education and prevention programs during the biennium.**

Revenue Implications of SB 415 (As amended -1)

Oregon OTP Tax Receipts

2012 / 2013 FY	$56,690,359
2013 / 2014 FY	$56,370,715

Estimated Product Market Share

Moist snuff (chewing tobacco)	80%
Cigars	10%
All other	10%

Revenue Distribution (ORS 323.625)

Revenue distributed to General Fund with subsequent distributions to the Oregon Health Plan and the Tobacco Use Reduction Account.

Oregon Health Plan / Medical Assistance	41.54%
Tobacco Use Reduction Account	4.62%

Revenue Implications Based on 2013 / 2014 FY OTP Receipts

Loss of flavored moist snuff – est. @ 55% flavored – General Fund (80% x $56.370,715 x 55%)	(-$24,803,114)
Loss to OHP (41.54% x $24,803,114)	(-$10,303,214)
Loss of flavored cigars – est. @ 85% flavored – General Fund (10% x $56,370,715 x 85%)	(-$4,791,510)
Loss to OHP (41.54% x $4,791,510)	(-$1,990,393)
Loss of flavored "all other" – est. @ 25% flavored – General Fund (10% x $56,370,715 x 25%)	(-$1,409,268)
Loss to OHP (41.54% x $1,409,268)	(-$585,410)

***Based on 2013/2014 FY OTP receipts, a ban on flavored tobacco could result in a revenue loss of approximately $31 million per year or $62 million during the state's 2015 / 2017 biennium.*