League of Oregon Cities

April 11, 2019

To: Chair Nathanson and Member of the House Committee on Revenue
Re: HB 2270
From: Wendy Johnson, Tax and Finance Intergovernmental Relations Associate

The LOC and specifically the Finance & Tax Committee of the LOC have placed a priority on seeking a share of all state tobacco product tax revenues to assist with rising public safety costs and to provide state shared revenue equity.

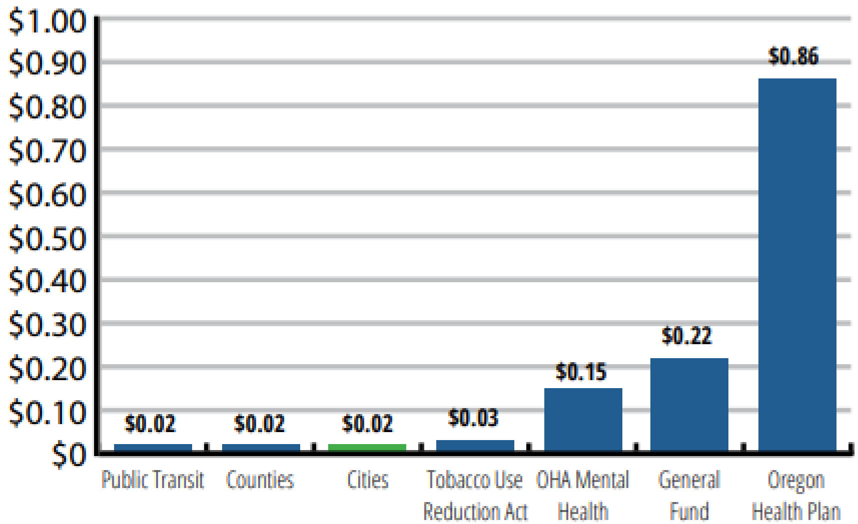
Cities are preempted from locally imposing taxes on cigarettes and other tobacco products in state law. See ORS 323.640. In exchange for this preemption, cities were to receive a share of state tax revenues. However, today only cigarette tax revenues are included in the state-shared revenue distribution to cities and those revenues are decreasing (see graph on page 2); cities receive less than 2% of the state cigarette tax revenues or $3.4 million a year under the formula. Other tobacco products (chew, snuff, cigars, pipe tobacco, etc.) is also taxed by the state and those revenues have been increasing (now over $60 million a year), but those revenues are distributed only to the state. Under the bill, vaping products would be newly taxed, but those tax revenues also would not be shared with cities. We respectfully request that you reconsider the allocations under Section 2 to keep cities whole with the existing tax, and to provide a proportionate share on the new taxes as well.

Cities' present revenue sources, like the state's, are not sustainable, especially without meaningful property tax reform. Cities cost drivers are outpacing revenues each year and the future is exceptionally gloomy to pay for basic services, including public safety costs. Cities and public safety officers are often responsible to enforce tobacco and vaping laws, handle sales and use complaints including clean air complaints, and handle clean-up costs.

Section 2 of HB 2270 doesn't improve the numerator with the tax increases and thus cities would 1) no longer get their full .14 mills under the present cigarette tax of $1.33 per pack and 2) receive 0 mills of the proposed $2.00 per pack cigarette tax increase. In addition, cities would receive $0 of the other tobacco tax wholesale tax increases and receive no share of the new vaping tax. The same is true for mental health dedication and Elderly and Disabled Special Transportation Fund sharing. We request you reconsider the distribution.

When voters passed Oregon's initial cigarette tax in 1967, cities received 25 percent of the revenue, and another 50 percent was dedicated to property tax relief. Ballot measures had failed numerous times prior to that sharing of revenues in the ballot measure. The preemption deal has not been honored over time and it is time to restore it at this historic time. The charts on the following page graphically show the situation. Thank you for your consideration.

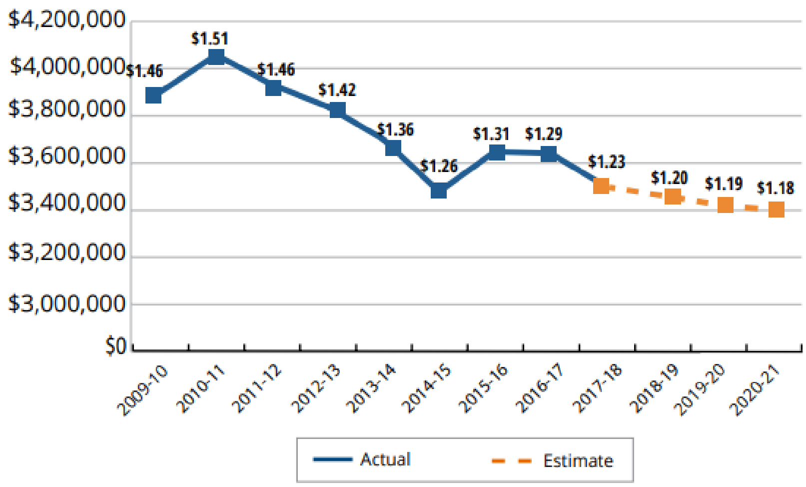
Cigarette Tax Distribution* of the $1.33 Per Pack Tax



*Due to rounding, numbers don't add to $1.33.

Actual and Projected Cigarette Tax Disbursements to Cities with Per Capita Distributions

Actuals	
2009-10	$3,900,333
2010-11	$4,060,000
2011-12	$3,931,667
2012-13	$3,836,333
2013-14	$3,695,333
2014-15	$3,469,667
2015-16	$3,642,000
2016-17	$3,634,667
Estimates	
2017-18	$3,493,333
2018-19	$3,462,000
2019-20	$3,415,333
2020-21	$3,394,667



Distribution of Other Tobacco Products Tax

Cities receive NO share