

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
83rd Oregon Legislative Assembly
2025 Regular Session
Legislative Revenue Office

Bill Number: SB 702
Revenue Area: Tobacco Taxes
Economist: Jonathan Hart
Date: 3/27/2025

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Prohibits distributing, selling, attempting to sell, or offering to sell flavored inhalant delivery system products or flavored tobacco products in this state. Starts the prohibition October 1, 2025.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2025-26	2026-27	2025-27	2027-29	2029-31
Cigarette - General Fund	- \$1.3	- \$2.2	- \$3.6	- \$4.3	- \$3.9
Other Tobacco - General Fund	- \$5.2	- \$10.6	- \$15.8	- \$19.9	- \$18.8
Cigarette - Other Funds	- \$18.8	- \$31.7	- \$50.5	- \$60.5	- \$54.9
Other Tobacco - Other Funds	- \$4.5	- \$9.0	- \$13.5	- \$17.1	- \$16.1
Inhalant Delivery System - Other Funds	- \$6.7	- \$14.4	- \$21.0	- \$29.6	- \$30.7
Total	- \$36.5	- \$67.9	- \$104.4	- \$131.3	- \$124.4

Impact Explanation:

The projected revenue impact is based on the March 2025 forecast of cigarette and tobacco tax revenues published by the Oregon Office of Economic Analysis.

Starting October 1, 2025, the measure bans the sale of flavored tobacco and nicotine products in Oregon. Revenue loss projections are informed by other states with similar bans, research on their effects, and usage trends for tobacco and nicotine products.

With a ban in place, Oregon will no longer collect taxes from sales of flavored tobacco products. Consumers may respond by quitting tobacco entirely, switching to non-flavored products, or purchasing flavored products from untaxed sources. Oregon will continue to collect taxes only from consumers who switch to non-flavored products and buy them from Oregon retailers.

The impact of a ban varies by product category, primarily based on how much of each category is currently flavored products. Data from the Centers for Disease control, and various studies were used to estimate the flavored-product share of current sales. For users that switch to non-flavored products and purchase in Oregon,

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some will switch to unflavored products in the same category, and others will switch to other unflavored tobacco products.

Washington County and Multnomah County have both enacted flavored tobacco bans, though these are currently paused due to legal challenges. If those bans were in effect, it would change the attribution of the source of revenue loss, but the total revenue loss would be the same. In addition, if Washington state were to implement a flavored tobacco ban, Oregon's revenue loss would be moderately reduced.

Other bills under consideration this session could also affect tobacco sales. Those bills are not reflected in the current revenue impact analysis. In particular, if products containing nicotine from any source (primarily nicotine pouches) are added to the products taxed at Other Tobacco Products some consumers will substitute among tobacco product categories leading to a small reduction in the revenue loss from the flavor ban.

Tax collection timelines for tobacco programs mean that Fiscal Year 2026 will include about 8 months of cigarette tax and 2 quarters of other tobacco product taxes collected after the ban begins. Some consumers may also stock up on flavored products before the ban begins, which has been factored into the revenue impact estimate.

The following tables show the tax distributions. Distributions to cities and counties are based on their respective populations.

Statutory Cigarette Tax Distribution

Statutes and Tax		Distributions (\$ per pack of 20 cigarettes)						
Statute (ORS)	Tax Per Pack (\$)	General Fund	OHP	TURA	City/ County/ Transit	OHA	OHA Distribute To Others.	OHA Mental Health
323.030(1)	0.58	0.220	0.270	0.030	0.060			
323.030(4)	0.15							0.150
323.031(1)	0.60		0.587	0.004	0.008			
323.031(2)	2.00					1.800	0.200	
Total	3.33	0.22	0.857	0.034	0.068	1.800	0.200	0.150

*TURA is Tobacco Use Reduction Account, OHP is Oregon Health Plan, OHA is Oregon Health Authority

Statutory Inhalant Delivery System and Other Tobacco Products Tax Distribution

Distributions as Percent of Total Revenue				
Inhalant Delivery Systems (IDS)		Other Tobacco Products (non IDS)		
OHA	TURA	General Fund	OHP	TURA
90.00%	10.00%	53.84%	41.54%	4.62%

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒