SB 702A -- Preliminary Revenue Impact Estimate ($ Millions)

	Biennium		
	2025-27	2027-29	2029-31
General Fund	($3.1)	($6.5)	($6.0)
Other Funds	($14.8)	($29.4)	($26.9)

Starting July 1, 2026, SB 702A prohibits the sale of flavored tobacco and nicotine products in Oregon except at liquor stores established by the Oregon Liquor and Cannabis Commission (OLCC). The stores must also have a tobacco retail license issued by the Department of Revenue or an authorized local government.

The analysis of revenue lost by restricting flavored tobacco sales to OLCC stores is based on the experience in Washington State when liquor sales were privatized causing the number of retailers authorized to sell liquor to increase, as well as other related research. The changes are relative to the May 2025 forecast of cigarette and tobacco tax revenues published by the Oregon Office of Economic Analysis.

There are 282 OLCC stores that could potentially sell flavored tobacco products if this measure passes. Most of the stores already hold licenses to sell tobacco. By restricting flavored tobacco sales to these stores, the number of retailers selling such products is reduced by over 90 percent, generally with fewer operating hours at the new locations. Collectively, this will permanently lower sales of Oregon-taxed flavored tobacco products.

Additional reductions in sales are expected during the transition to these new restrictions. Most current retailers will need to deplete their inventory of flavored tobacco and nicotine products by July 1, 2026, which will likely depress sales of taxed products before the deadline. At the same time, OLCC stores will have to ramp up their inventory and adjust their space management to meet the new demand. These adjustments are anticipated to cause a temporary overall reduction in sales of taxed products. The transitory effect has been factored into the revenue impact estimate.

Requiring all sales of flavored tobacco take place in OLCC liquor stores will also increase the foot traffic in those stores. Customers who visit seeking tobacco products will also have an opportunity to purchase liquor. As a result, liquor sales will increase. While the Washington experience of privatizing liquor sales is a good basis for estimating the impact of restricting flavored tobacco sales to OLCC stores, a comparable analogue for estimating the collateral sales increase for liquor has not been identified, so that effect is not included in this revenue impact.