REVENUE IMPACT OF PROPOSED LEGISLATION

83rd Oregon Legislative Assembly
2025 Regular Session
Legislative Revenue Office

Bill Number:	**SB 702 - A6**
Revenue Area:	**Tobacco Taxes**
Economist:	**Jonathan Hart**
Date:	**6/5/2025**

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Prohibits distributing, selling, attempting to sell, or offering to sell flavored inhalant delivery system products or flavored tobacco products in this state, except from premises established as a store by the Oregon Liquor and Cannabis Commission and licensed by the Department of Revenue or authorized by a local government.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2025-26	2026-27		2025-27	2027-29	2029-31
Cigarette - General Fund	$0	- $0.6		- $0.6	- $1.2	- $1.0
Other Tobacco - General Fund	$0	- $2.4		- $2.4	- $5.3	- $4.9
Cigarette - Other Funds	$0	- $8.9		- $8.9	- $16.3	- $14.5
Other Tobacco - Other Funds	$0	- $2.1		- $2.1	- $4.6	- $4.2
Inhalant Delivery System - Other Funds	$0	- $3.8		- $3.8	- $8.6	- $8.1
Total	$0	- $17.9		- $17.9	- $35.9	- $32.8

Note: Totals may not match sum of values in rows due to rounding.

Impact Explanation:

Starting July 1, 2026, the bill prohibits the sale of flavored tobacco and nicotine products in Oregon except at liquor stores established by the Oregon Liquor and Cannabis Commission (OLCC). These stores must also hold a tobacco retail license from the Department of Revenue, or a local government authorized to issue such licenses.

The analysis of revenue lost by restricting flavored tobacco sales to OLCC stores is based on changes in liquor sales after Washington State's liquor privatization which significantly expanded the number of retailers authorized to sell liquor, as well as supporting research.

Currently, there are 282 OLCC stores that could be eligible to sell flavored tobacco products under the bill. Many already possess tobacco retail licenses. Restricting flavored tobacco sales to these stores would reduce the number of retailers selling such products by over 90 percent, with the new locations generally open for fewer business hours. This will permanently lower sales of Oregon-taxed flavored tobacco products.

Additional temporary sales reductions 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. At the same time, OLCC stores will have to ramp up their inventory and reconfigure retail space 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 estimated revenue impact.

Requiring sales of flavored tobacco take place in OLCC stores will increase foot traffic at those locations. Customers seeking flavored tobacco products will 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.

Policies in Oregon counties and in Washington state will also affect taxed tobacco products in Oregon. Washington County and Multnomah County have both enacted flavored tobacco bans, though these are currently paused due to legal challenges. When those bans go into effect, it will reduce taxed sales of tobacco products in Oregon. Conversely, the addition of nicotine pouches to Washington's tax base is likely to boost Oregon's taxed tobacco sales. This revenue impact represents changes from the most recent forecast of Oregon taxes by the Office of Economic Analysis (May 2025), which did not include the changes related to these policies. Accordingly, they are not included in this revenue impact statement. As the policies take effect they will be incorporated into future forecasts.

Due to tax collection schedules, Fiscal Year 2027 will reflect approximately 11 months of cigarette tax revenue and three quarters of other tobacco product tax revenue after the OLCC store restriction goes into effect.

For information on the various programs funded by tobacco taxes, 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 ☒