

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

Bill Number: HB 3940 - A24  
Revenue Area: State Finance  
Economist: Allanach/Hart/Doughty  
Date: 6.19.25

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

**Measure Description:**

The bill provides for three sources of revenue. First, it creates a new tax on oral nicotine products that are not currently taxed. It defines oral nicotine products as any noncombustible item—excluding those classified as moist snuff for tax purposes—that contains nicotine from any source (or a nicotine analogue) and is intended for human consumption through non-inhalation methods. The proposed tax is 65 cents per container for packages containing up to 20 units, with an additional tax of 3.25 cents for each unit beyond 20. The tax begins on January 1, 2026, and is paid quarterly. Second, the bill requires the transfer of 20 percent of the interest earned by the Rainy Day Fund to the Landscape Resiliency Fund (6.7 percent) and the Community Risk Reduction Fund (13.3 percent). Third, the bill increases the Forest Products Harvest Tax used for the payment of benefits related to fire suppression from 62.5¢ to \$1 (per thousand board feet) beginning January 1, 2026. The tax rate is adjusted to inflation in subsequent years. Takes effect on the 91st day following sine die.

**Revenue Impact (\$Millions):**

	Fiscal Year		Biennium		
	2025-26	2026-27	2025-27	2027-29	2029-31
<b>Landscape Resiliency Fund</b>	<b>\$5.2</b>	<b>\$8.9</b>	<b>\$14.1</b>	<b>\$21.0</b>	<b>\$27.1</b>
Oral Nicotine Tax	\$0.9	\$3.8	\$4.7	\$9.1	\$11.5
Rainy Day Fund Interest	\$4.3	\$5.1	\$9.4	\$11.9	\$15.6
<b>Community Risk Reduction Fund</b>	<b>\$11.5</b>	<b>\$17.7</b>	<b>\$29.2</b>	<b>\$42.0</b>	<b>\$53.9</b>
Oral Nicotine Tax	\$1.9	\$7.7	\$9.6	\$18.3	\$22.9
Rainy Day Fund Interest	\$9.6	\$10.0	\$19.6	\$23.7	\$31.0
<b>Rainy Day Fund</b>	<b>-\$14.4</b>	<b>-\$15.1</b>	<b>-\$29.5</b>	<b>-\$35.6</b>	<b>-\$46.6</b>
<b>Forest Products Harvest Tax</b>	<b>\$0.3</b>	<b>\$1.4</b>	<b>\$1.7</b>	<b>\$3.2</b>	<b>\$3.6</b>

## **Impact Explanation:**

The impacts for the three revenue policy changes are described individually below.

### **Oral Nicotine Tax**

The estimated tax revenue is based on current packaging of products by discreet consumable units. There is the potential that future changes in packaging could affect the calculation of tax in unanticipated ways.

The primary category of newly taxable products will be nicotine pouches. These pouches contain a powder that includes nicotine, flavoring and other ingredients intended to dissolve in the mouth with the nicotine being absorbed through the gums. Within the category, the leading product is Zyn. According to financial information released by Philip Morris International (PMI), 202 million units of Zyn were shipped in the United States in the first quarter of 2025, representing a 53% increase compared to the first quarter of 2024. Zyn had a reported market share of 61.5 percent by volume. In the past year, there have been widely reported shortages of Zyn and plans to increase production. There is also increasing competition and introduction of new oral nicotine products. Quantities of oral nicotine products are expected to continue growing in the coming years.

Historically, Oregon's taxed sales of tobacco products have been shaped by the state's proximity to Washington state. For example, when Washington has raised its cigarette tax rate, Oregon cigarette tax collections increased, and the reverse has been true. This pattern demonstrates that changes in either state's tax policy affect more than just local consumption; they influence cross-border purchasing behavior as well. Earlier this year, Washington passed Senate Bill 5814, which will apply the state's Other Tobacco Products (OTP) tax to nicotine pouches and similar products beginning in 2026. With a base tax rate of 95% tax on the sales price<sup>i</sup> of such products, Washington's new tax is expected to drive a notable increase in sales of oral nicotine products in Oregon.

The revenue estimate does not include the potential impact of county-level bans on flavored nicotine products. Both Washington County and Multnomah County have enacted comprehensive bans on flavored tobacco and nicotine product. Those bans are currently paused due to legal challenges that are likely to be resolved later this year. More than 90 percent of oral nicotine products sold today are flavors that would be banned under a county ban. If both county bans are implemented it is expected to reduce taxed sales of oral nicotine products by about one third.

Fiscal Year 2026 will have payments due for only the first quarter distributions of oral nicotine products.

### **Rainy Day Fund Interest**

Following the effective date of the bill, the current interest deposits into the Rainy Day Fund (RDF) are modified. While 80 percent of the interest will continue to be deposited in the RDF, twenty percent will be diverted. The estimates for that twenty percent based on the projected interest earnings from the June 2025 Economic & Revenue forecast produced by the Office of Economic Analysis. With the bill becoming effective on the 91st day following sine die, the first diversions are expected to occur in October 2025.

### **Forest Products Harvest Tax**

The estimates are based on the timber harvest forecast included in the June Economic & Revenue forecast produced by the Office of Economic Analysis (OEA) multiplied by the tax rate increase. The estimates include timing adjustments to reflect payment collections. The OEA harvest forecast is adjusted for the exclusion allowed of 25 thousand board feet harvested. The adjustment uses Department of Revenue tax return data. The

harvest tax rate of 100 cents is adjusted using the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers, West Region 12-month average ending August 31, 2024, relative to the OEA forecasted CPI Urban Consumers, West Region. The comparison uses the forecast OEA CPI forecast of the year prior to the year for which the rate is being set.

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

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<sup>i</sup> Washington's tobacco tax rate is [reduced for products issued a modified risk tobacco product order](#) by the US Department of Health and Human Services. Zyn is the only oral nicotine product taxed by this bill that appears to have a [pending application](#) for [modified-risk designation](#).