

## HB 2123 STAFF MEASURE SUMMARY

### House Committee On Health Care

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**Prepared By:** Oliver Droppers, LPRO Analyst  
**Sub-Referral To:** House Committee On Revenue  
**Meeting Dates:** 2/5

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#### **WHAT THE MEASURE DOES:**

Expands definition of tobacco products to include inhalant form of nicotine. Imposes taxes and specifies rates on inhalant form of nicotine and inhalant delivery devices. Applies to distributions of tobacco products on or after January 1, 2020.

*REVENUE: Revenue impact statement issued.*

*FISCAL: Fiscal impact statement issued.*

#### **ISSUES DISCUSSED:**

#### **EFFECT OF AMENDMENT:**

No amendment.

#### **BACKGROUND:**

According to the Legislative Revenue Office (LRO), Oregon imposes taxes, referred to as an excise tax, on the distribution of all tobacco products in the state (e.g., cigarettes, cigars, snuff). The first tobacco excise tax was passed in 1966 – a \$.04 tax per pack on cigarettes. Taxes are levied on each cigarette and as a percent of the wholesale price of other tobacco products.

In Oregon, a percentage of revenue from tobacco taxes is used to fund the state's Medicaid program (Oregon Health Plan). According to LRO, as of January 1, 2019, the tax rate per pack of cigarettes was \$1.33 with 86 cents of that revenue allocated to funding the Oregon Health Plan.

In recent years, states have added electronic nicotine delivery systems (e.g., e-cigarettes and other vapor products) to the statutory definition of tobacco and imposed an excise or special tax (i.e., non-sales tax) on such products. In 2015, Oregon defined inhalant delivery systems as tobacco products for the purposes of the Indoor Clean Air Act. Oregon does not currently tax electronic nicotine delivery systems.

House Bill 2123 expands the definition of tobacco products and imposes taxes on inhalant forms of nicotine.