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Oregon House Passes Tobacco and E-Cigarette Tax to Increase Oregon Health Plan Funding

House Bill 2270 increases taxes on tobacco products, sends issue to voters

SALEM – The Oregon House of Representatives on Thursday passed a bill to create an additional sustainable funding mechanism for the Oregon Health Plan by increasing taxes on tobacco products and creating taxes on e-cigarettes and vaping products.

House Bill 2270 includes a referral to voters. If the legislation passes the Senate and is signed by Governor Kate Brown, Oregonians will vote on the bill in November 2020 and, if passed, it will become law January 1, 2021.

If implemented, officials estimate the tax would raise \$340.4 million for the 2021-23 biennium. Revenue from the bill would be distributed on a 90/10 split, with 90% of revenue going to Oregon’s Medicaid program, the Oregon Health Plan and 10% going to fund tobacco cessation and prevention programs.

“Without this funding, we will face an additional \$320 million gap in Medicaid in the next biennium and continue to shoulder the burden of harmful tobacco-related illnesses and disease, while the tobacco industry continues to profit,” said Rep. Andrea Salinas (D-Lake Oswego), the chair of the House Committee on Health Care. “We must have every policy tool at our disposal to try to reclaim the lost ground in tobacco prevention with the introduction of e-cigarettes. HB 2270 is one of these tools.”

House Bill 2270 increases the tax rate on cigarette distribution by \$2 per pack, setting the tax at \$3.33 per pack. This increase keeps Oregon’s tax rate below California and Washington, ensuring retailers do not lose out on business along transportation corridors. Oregon currently has a \$1.33 tax per pack on cigarettes, which ranks well below the national state average.

The bill also defines “inhalant delivery systems,” also known as e-cigarettes and vape products, and imposes a new tax on those products at 65% of wholesale price. Currently, those items are not taxed in Oregon. Additionally, it prohibits the sale of individual cigars unless the individual price of the cigar exceeds \$3 or the cost of a pack exceeds \$12, in order to help keep skinny, flavored cigars away from children.

“HB 2270 contains the final installment of funding we need to pay for Oregon’s share of the Medicaid expansion,” said Rep. Rob Nosse (D-Portland), who this session served as a co-chair of the Joint Ways and Means Subcommittee on Human Services. “Keep in mind, if we don’t pass

this bill, we will have to reach into the General Fund for the remainder of the money we need for the Medicaid expansion.

“Passing this bill means we will have the money freed up from the general fund to help seniors, foster children, people with intellectual and developmental disabilities, and frankly the poor.”

The Oregon Health Authority estimates tobacco contributes to 8,000 deaths per year in Oregon and costs the state \$1.5 billion in medical care. The OHA has also found that increasing the price of tobacco is the single most effective tool to reduce tobacco use, including youth consumption.

“Ultimately, I’m tired of seeing my patients – too often the working poor who were targeted by big tobacco in their youth – die premature and painful deaths because of the impact of tobacco,” said Rep. Rachel Prusak (D-West Linn), who is a nurse practitioner. “This weighs on me every day. And it also ultimately weighs on the state – currently the Oregon Health Plan spends roughly \$374 million a year just treating tobacco related illnesses.”

The legislation, which passed 39 to 21, now goes to the Oregon Senate for consideration.

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