

INFORMATIONAL MEETING

TAPES 6 A-B, 7 A

HOUSE REVENUE COMMITTEE

JANUARY 17, 2005 1:30 PM STATE CAPITOL BUILDING

Members Present:

- Rep. Tom Butler, Chair
- Rep. Vicki Berger, Vice-Chair
- Rep. Brian Boquist, Acting Chair
- Rep. Mark Hass, Vice-Chair
- Rep. Sal Esquivel
- Rep. Larry Galizio
- Rep. Betty Komp
- Rep. Andy Olson
- Rep. Chuck Riley

Staff Present:

- Paul Warner, Legislative Revenue Officer
- Mazen Malik, Economist
- Kristi Bowman, Committee Assistant

TAPE 6, SIDE A

002 Chair Boquist Calls the meeting to order at 1:32 p.m. For the benefit of the hearing and visually impaired members of the audience, committee members are asked to identify themselves.

ORIENTATION

- 036 Malik Begins presentation on excise taxes, commonly called “sin taxes.”
- 65 Malik Slide: Cigarette Tax Rate
- 106 Malik Slide: Sales and Excise Taxes
- 127 Malik Slide: Distribution Proportion. Mils is defined as 1/10 of a penny. Each tax rate has a different distribution rate.
- 175 Rep. Butler Discusses the impact of the temporary 60 cent tax (that has since expired) on local governments. The 60 cent tax was a result of Measure 30.
- 225 Malik Slide: Cigarette Tax Revenue Forecast
- 247 Rep. Olson Question about decrease in cigarette sales.
- 255 Malik Responds that decrease is due to increase in price and older first-time users, meaning a reduction in the amount of users.

- 295 Malik Slide: Taxed Distributions. Chart shows a projected 63% drop in per capita smoking in 2011; 75 packs per capita—down from 140 packs per capita.
- 320 Butler Asks if there is a similar graph for other tobacco products.
- 338 Malik Responds that a chart could be developed, but the data may not be as reliable for other tobacco products.
- 340 Butler Comments that it would be useful in knowing how much tobacco product is coming from overseas.
- 354 Chair Boquist Asks if there is significant smuggling of cigarettes into OR, and would there be significant revenue if we reduced that smuggling.
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- 356 Malik Responds that this issue has been taken up by the compliance task force, which is a combination of the Dept. of Revenue, the State Police, and the Judiciary. Perhaps the task force could be invited to speak to this committee.
- 375 Chair Boquist Requests record to show that 3 committee members are concerned about smuggling issues and the potential revenue that could be recovered for the future.

390 Malik Slide: Price per Pack in Cents

405 Malik Slide: Other Tobacco Products

425 Malik Slide: Tax on Cigars

435 Malik Slide: 2003-04 Revenue

475 Malik Slide: Total Tobacco Revenue

TAPE 7 SIDE A

43 Malik Slide: Master Settlement Agreement

58 Chair Boquist Asks about tobacco settlement. If one of the cigarette companies goes bankrupt, then that settlement revenue disappears.

60 Malik Responds that if that should happen, there will be provisions to maintain some of the program, but there will be a reduction.

67 Malik Slide: Estimated Payments

- 71 Malik Slide: Payments in Millions of Dollars
- 141 Butler Asks for clarification on OR Opportunity Fund/OHSU debt. Is that to be paid out of the master settlement? Were appropriation credits used from the master settlement agreement to fund the approximately \$200 M debt?
- 166 Malik Responds yes.
- 178 Malik Slide: Alcoholic Beverages.
- 180 Malik Slide: Beer Tax Rates. Today's rate is 8.38 cents per gallon; almost 5 cents per six-pack.
- 207 Malik Slide: State Rates. OR ranks last among the other states in excise + sales tax rates.
- 216 Malik Slide: 2003-04 Beer Tax
- 220 Malik Slide: Beer Tax Revenue. 2004 consumption:

- 236 Malik Slide: Wine Tax Rates
- 253 Malik Slide: State Wine Tax Rates. OR ranks in the middle, about 23rd.
- 261 Malik Slide: 2003-04 Wine Tax Revenue
- 265 Malik Slide: Wine Tax Revenue
- 276 Rep. Berger Asks if the number reduction reflects reduction in consumption.
- 280 Malik Responds yes. Rate of wine tax revenue went up but consumption went down.
- 299 Malik Slide: OLCC Liquor Markup. The rate today is 106% of costs. Costs change with time based on other factors of operating the liquor stores.
- 317 Malik Slide: OLCC Sales. The 2003-2004 consumption rate was 1.33 gallons per capita, a reduction of only 8.3%.

- 340 Berger Clarification of consumption time period: biennium or per year
- 350 Malik Responds that the time period is per year.
- 355 Malik Slide: Distribution Formula.
- 370 Malik Slide: 2003-04 OLCC Revenue. This revenue is the most profitable at \$304.4 M.
- 376 Malik Slide: 2003-04 OLCC Revenue Distributions
- 387 Rep. Esquivel Asks what a Wine Board is and what is its function..
- 390 Malik Responds that its purpose is to advertise OR wines, and provide research and marketing for OR wineries.
- 400 Malik Slide: OLCC Distributions
- 410 Malik Slide: 911 Emergency Access Tax

- 429 Malik Slide: 911 Revenue
- 434 Malik Slide: Fuel Taxes
- 450 Berger Asks about asking for a rebate on gasoline tax if someone is filling up their lawnmower.
- 470 Malik Responds that person may apply for it, but it must be applied through ODOT, not the local gasoline station. The taxes not used for fuel propulsion are used for other purposes, such as the ODOT operation fund. These funds are used for functions not legally allowed to be funded through the highway fund.

TAPE 6 SIDE B

- 10 Malik Slide: Motor Vehicle Fuel Tax Rates
- 34 Malik Slide: Fuel Tax Revenue (bar graph)
- 64 Malik Slide: Weight-Mile Taxes
- 83 Butler Asks whether other states depend on weight-mile taxes as much as OR does.

90 Malik Responds that 5 states have a weight-mile tax.

122 Malik Slide: Weight-Mile Tax Rates

134 Malik Slide: In Lieu Taxes

164 Malik Slide: Weight-Mile Tax Revenue (bar graph)

191 Malik Slide: Transient Lodging Tax

232 Malik Slide: Transient Lodging Tax. Revenue estimates in millions.

258 Malik Slide: Transient Lodging Tax (bar graph)

282 Malik Concludes presentation.

300 Chair Boquist Adjourns meeting at 2:50 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

- 1. Slide Presentation: Excise Taxes, LRO Staff, 01/7/05, 23 pp.