

2014 Cigarette Tax Increase

Oregon Department of Revenue—Tobacco Taxes

www.oregon.gov/dor/tobacco



Why is the cigarette tax increasing?

The cigarette tax increase was passed by the Oregon legislature in the 2013 special session. The increase takes effect January 1, 2014 at 12:01am.

How much is the increase?

House bill 3601 increased the tax per 20-pack of cigarettes to \$1.31. The new tax per 25-pack of cigarettes is \$1.6375.

What is a floor tax?

At the time the tax increase becomes effective, all cigarette distributors, manufacturers, and retailers must take an inventory of stamped cigarettes in their possession. Distributors also must count their stamps on hand that have not yet been affixed to cigarettes. Distributors, manufacturers, and retailers then file a special tax return due by January 21, 2014. This special tax return documents their inventory and is used to pay the additional tax due on cigarettes or stamps in their possession on January 1, 2014.

Where can distributors and retailers get tax returns?

Distributors and retailers will be mailed their floor tax returns by mid December. Retailers can also get returns from our website at www.oregon.gov/dor/tobacco or by calling 503-378-4988 or 1-800-356-4222.

Are consumers required to pay the additional tax on cigarettes they have on January 1, 2014?

No. The floor tax doesn't extend to consumers who purchase their cigarettes in Oregon. If consumers bring more than one carton of cigarettes into Oregon after December 31, 2013, they must pay tax at the new rate of \$1.31 per 20-pack.

How does a consumer who purchases cigarettes outside of Oregon pay the tax due?

Only licensed distributors can purchase and affix tax stamps. Consumers purchasing untaxed cigarettes need to complete a monthly tax report and pay the tax due by the 20th of the month following the reporting period. The form is called the Oregon Cigarette Consumer's Monthly Tax Report. It is available at www.oregon.gov/dor/tobacco, or by calling 503-378-4988 or 1-800-356-4222.

Who pays the cigarette tax?

The cigarette tax is a tax to consumers that is pre-paid by the distributors as a matter of convenience. The tax is passed on to the consumers as part of the purchase price of cigarettes. There are 42 cigarette distributors licensed with the state of Oregon. Normally, retailers do not pay the tax. However, when a tax increase occurs, retailers must file a one-time special tax return in order to pay the additional tax due on their inventory.

Who gets the money from cigarette taxes?

The cigarette tax distributions are mandated by ORS Chapter 323.455 and 323.457. Cigarette taxes help fund public services through the General Fund, cities and counties, the Department of Transportation, and the Oregon Health Authority Fund.

What if I only have a cigarette vending machine at my business and another business services it?

The vending machine operator is responsible for conducting the inventory and paying the additional tax due on cigarettes in the vending machines. On the top of your special tax return, write "Vending Machine Only" and include the vending machine operator's name, address, and telephone number.

What if I don't sell cigarettes?

On the top of your special tax return, write "I don't sell cigarettes" and send the return back to us. This tax increase only applies to cigarettes, not to other tobacco products.

Will there be a new tax stamp color?

Yes. Stamps issued at the new tax rate will be a new color. Retailers may receive the previous color stamp from your distributor. Distributors will indicate on the invoice whether the previous or new tax rate was used on the cigarettes you receive. You will need this information to complete your special tax return. You can continue to sell cigarettes that bear the previous color stamp.

What if I received several special returns?

We tried to eliminate duplicate mailings. However, if you received more than one packet, file only one special tax return if you have only one location. Please staple the other returns to the back of the return you are filing and return them to the department.

What if I have more than one store?

- Complete a separate special tax return for each location indicating the separate tax amount.
- For operators of corporately owned stores, we suggest you contact your parent company. If you need additional forms you can get them from our website at www.oregon.gov/dor/tobacco, or by calling 503-378-4988 or 1-800-356-4222.

What if someone is not complying with the new law?

We have a tip line that you may call to provide information about distributors or retailers you believe are

not complying. The number is 503-947-2106 or toll free at 1-866-840-2740.

What if I do not file my inventory special tax return by January 21, 2014?

A penalty of 5 percent and daily interest will be calculated on the tax due if not paid by the due date. Other penalties may be added to the balance if the tax remains unpaid.

Have additional questions?

If you have additional questions, please visit www.oregon.gov/dor/tobacco or call 503-378-4988 or toll free at 1-800-356-4222.