

Joint Budget Committee Staff FY 2025-26 Budget Briefing Summary

Tobacco Revenue

Colorado receives annual TABOR-exempt tobacco revenue from three sources: (1) The 1998 Tobacco Master Settlement Agreement (MSA); (2) Amendment 35, a 2004 constitutional amendment that added two tobacco and cigarette taxes; and (3) Proposition EE, a voter-approved ballot measure that imposed new and additional taxes on tobacco, cigarette, and nicotine products. This revenue is distributed via formula and fixed amounts outlined in statute.

Issues Presented

Tobacco Master Settlement Agreement Overview: The 1998 Tobacco Master Settlement Agreement (MSA) provides Colorado with an annual revenue stream as a result of legal action to recover expenses incurred for the treatment of tobacco-related illnesses. Under the MSA, states released participating manufacturers from health-related claims associated with the use, manufacture, and marketing of tobacco products in return for perpetual annual payments from manufacturers. This issue provides an overview of the Tobacco Master Settlement Agreement including how payments are adjusted at the federal level, how MSA funding is distributed throughout the state, and the General Assembly's use of accelerated payments.

Amendment 35 Overview: Amendment 35, approved by voters in 2004, added two cigarette and tobacco taxes to Section 21 of Article X of the Colorado Constitution. This issue provides an overview of Amendment 35 including discussions of declining revenue and how the revenue is allocated to state programs.

Proposition EE Overview: House Bill 20-1427 (Cigarette Tobacco and Nicotine Products Tax) referred a tobacco tax to the ballot (Proposition EE). The measure was approved by voters in November 2020 and raised taxes on cigarettes and other tobacco products, and created a tax on nicotine products such as vaping devices. This issue discusses Proposition EE's impact on tobacco taxes, the impact of Proposition II, and actual and forecasted revenue distributions.

For More Information

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