

**Initiative #143  
Increase Cigarette and Tobacco Taxes**

1 **Amendment ? proposes amending the Colorado Constitution to:**

- 2     ◆ increase the state tax on a pack of cigarettes from \$0.84 to \$2.59;
- 3     ◆ increase the state tax on other tobacco products from 40 percent to  
4       62 percent of the price; and
- 5     ◆ distribute the new tax money to health-related programs, health care  
6       providers, health research projects, and veterans' services.

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8 **Summary and Analysis**

9       **Existing taxes on cigarettes.** The federal government collects a tax of \$1.01 on  
10 each pack of 20 cigarettes. Additionally, every state collects a cigarette tax.  
11 Colorado's cigarette tax is 84 cents per pack. Of this amount, 64 cents is required to  
12 be spent on health-related programs identified in the Colorado Constitution, including  
13 Medicaid, children's health care, tobacco education programs, and disease prevention  
14 and treatment. The remaining 20 cents is spent on various state and local  
15 government programs. Local governments may choose not to collect a cigarette tax  
16 in order to receive a share of the state tax. Since 1973, no local government has  
17 collected a cigarette tax.

18       **Existing taxes on other tobacco products.** Both the federal and state  
19 government collect taxes on non-cigarette tobacco products, including cigars, pipe  
20 tobacco, and chewing tobacco. These existing taxes do not apply to nicotine  
21 products, such as e-cigarettes and nicotine gum. The federal tax is calculated  
22 according to the product's weight. Colorado's state tax is equal to 40 percent of the  
23 price of the product. Of this amount, half is spent on the same health programs as the  
24 cigarette tax, and half is spent on other state government programs. Unlike  
25 cigarettes, many local governments collect additional taxes on tobacco products.

26       **Existing cigarette and other tobacco revenues.** Colorado collected about  
27 \$197.9<sup>1</sup> million from cigarette and tobacco taxes in state budget year 2015. Of this  
28 amount, \$142.2<sup>1</sup> million was spent on health-related programs as required in the  
29 Colorado Constitution, and \$55.7<sup>1</sup> million was spent on other state and local  
30 government programs.

31       **Additional taxes on cigarettes and tobacco products in Amendment ?.** The  
32 measure increases the cigarette tax by \$1.75 per pack of 20 cigarettes and the tax on  
33 other tobacco products by 22 percent of the manufacturer's list price. The additional

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<sup>1</sup>Budget year 2015-16 data will be used once data are available.

1 taxes in Amendment ? do not apply to nicotine products, such as e-cigarettes and  
 2 nicotine gum. The new tax rates are in addition to the existing taxes on cigarettes and  
 3 other tobacco products. Revenue from the new taxes is exempt from the state's  
 4 constitutional revenue limit.

5 **Distribution of new tax revenue in Amendment ?.** The distribution of the  
 6 money generated from the additional taxes is shown in Figure 1.

7 **Figure 1**  
 8 **Distribution of Money Generated from Additional Taxes under Amendment ?**

Purpose	Distribution
Spending on health-related programs identified in the Colorado Constitution, including Medicaid, children's health care, tobacco education programs, and disease prevention and treatment	18%, up to \$36 million annually. Any amount over \$36 million will be distributed proportionally to the other uses.
Research grants to study tobacco-related health problems	27%
Education, prevention, and programs encouraging people to stop using tobacco	16%
Grants to improve health, find employment, and prevent homelessness for veterans	14%
Grants for child and adolescent mental health and substance abuse prevention and treatment	10%
Construction or improvements to community health centers or providers that serve predominantly low income patients	10%
Student loan repayment for health care professionals working in rural or underserved areas of the state	5%

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 28 Amendment ? requires the state legislature to maintain 2016 funding levels for  
 29 existing health-related programs and use the new tax revenue to expand the existing  
 30 programs.

*For information on those issue committees that support or oppose the measures on the ballot at the **November 8, 2016**, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:*

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

1 **Arguments For**

2 1) Higher prices for cigarettes and tobacco products have been shown to deter  
3 children and young adults from smoking and tobacco use. When cigarette taxes  
4 were last increased in 2005, the number of cigarettes consumed per person in  
5 Colorado fell by 12.6 percent. Tobacco use is a leading cause of preventable death in  
6 Colorado, contributing to 5,100 deaths per year. Reducing smoking and tobacco use  
7 will improve the health of Colorado residents.

8 2) Dedicating cigarette and tobacco tax revenue to health care and research is  
9 one way for users of tobacco to pay for the health care burden they place on the state.  
10 The revenue from the proposed tax increase will fund health programs, research, and  
11 benefits to communities impacted by tobacco use. Tobacco use increases direct  
12 health care costs for Colorado tobacco users by an estimated \$1.9 billion annually,  
13 with additional health care costs from second-hand smoke. Under Amendment ?,  
14 smokers will pay more of these costs.

15 **Arguments Against**

16 1) Amendment ? is a significant tax increase with no oversight by elected officials.  
17 The distribution of the new revenue is set in the constitution and cannot be changed  
18 without future approval from voters, even if other needs are identified. This measure  
19 requires continued funding for tobacco-related health care programs even as tobacco  
20 use declines. There is no guarantee that tobacco users will benefit from the programs  
21 funded by the tax, and no assurance that these programs will be implemented  
22 appropriately. Instead, programs will receive dedicated funding indefinitely, regardless  
23 of their success or failure.

24 2) Tripling the tax on cigarettes is a dramatic increase that many people cannot  
25 afford. Recent studies have shown that people with lower incomes are more likely to  
26 use tobacco products and less able to afford a tax increase. Nationally, more than a  
27 quarter of people in poverty smoke cigarettes, and tobacco users with low incomes  
28 spend 14 percent of their household income on tobacco products. Because these  
29 products are addictive, tobacco users may continue using tobacco even after taxes  
30 are increased. For tobacco users who are unable to quit, this tax increase will take  
31 money out of budgets for safe housing, healthy food, health care, or household  
32 savings.

33 **Estimate of Fiscal Impact**

34 *(Please Note: A summary of the fiscal impact will be included in this space in the*  
35 *second draft of the analysis, and an official fiscal note will be prepared and placed on*  
36 *the web when the final blue book is sent to voters.)*