



Taxes on Nicotine Products

For information on those issue committees that support or oppose the measures on the ballot at the November 3, 2020, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

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

Arguments For Proposition EE

- 1) Colorado has one of the highest rates of youth vaping in the country, while also having one of the lowest tax rates on cigarettes and tobacco products, and no tax on vaping products. Cigarettes, tobacco, and nicotine products are addictive and have negative health impacts, which can include cancer as well as heart and lung disease. Tax increases usually result in higher prices, which deter smoking and tobacco use, especially among youth and young adults. Higher taxes on cigarettes, tobacco products, and vaping products could decrease consumption while funding health care, and tobacco cessation, education, and prevention programs.
- 2) Proposition EE provides needed funding for education. The impacts of the COVID-19 pandemic on the state budget have resulted in a 10 percent decrease in the state share of public school funding for the 2020-21 school year. Additional federal funding has helped lessen the impact of this state budget cut in 2020; however, it is not likely to be available next year, and further cuts are expected. The measure provides vital funding for schools as the economy recovers, and additional assistance for small rural districts that are disproportionately impacted by state funding cuts.
- 3) Providing access to free preschool gives all children the same foundation before entering kindergarten. Currently, half of Colorado three- and four-year-olds do not attend any type of preschool. High quality preschool is shown to improve educational, economic, and health outcomes throughout a child's life, including higher wages, higher graduation rates, and fewer criminal convictions. Access to preschool also supports working parents by giving them the option to enroll their children in up to ten hours per week at no cost.

Arguments Against Proposition EE

- 1) Increasing taxes on cigarette, tobacco, and nicotine products imposes a financial burden on people who choose to consume them, particularly low-income users. Because these products are addictive, users may continue to purchase them even after a tax increase. In addition, vaping products are used by many as a way to quit using traditional cigarettes. Youth vaping should be addressed through enforcement of existing age restrictions and additional education and prevention, not through raising taxes on a product that some use as a cessation device.
- 2) Raising taxes and establishing a minimum purchase price hurts business owners. This is particularly true for businesses that sell low-cost products, or that are in areas of the state where local governments have already imposed cigarette, tobacco, and nicotine taxes. Businesses selling these products may see a decline in sales, which can be particularly harmful for small, local businesses at a time when many are already struggling. Private businesses and market competition are best suited to determine the prices at which products are bought and sold.
- 3) The state should not be dependent on tax revenue from a specific, addictive product to fund schools, preschool, and other state services. Once Proposition EE is fully phased in, revenue from this tax is likely to decline over time as the increased price results in fewer products being purchased. At the same time, preschool funding needs are likely to grow. A tax intended to decrease consumption is not a funding source on which the state should rely.