

Abstract of Initiative 235: INCREASING TAXES ON CIGARETTES AND TOBACCO PRODUCTS AND ESTABLISHING A NEW TAX ON NICOTINE PRODUCTS

The abstract includes estimates of the fiscal impact of the proposed initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at www.ColoradoBlueBook.com and the abstract will be included in the ballot information booklet that is prepared for the initiative.

This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of February 2020, identifies the following impacts:

State revenue. The measure is expected to increase state revenue from cigarette, tobacco product, and nicotine product taxes by \$169.5 million in FY 2020-21 and by \$366.8 million in FY 2021-22 and subsequent fiscal years.

State expenditures. The measure increases state expenditures by up to \$169.5 million in FY 2020-21 and up to \$366.8 million in FY 2021-22 and subsequent years. Ongoing expenditures for tax administration and financial auditing are estimated at \$175,000 per year; remaining expenditures are for preschool and for tobacco and nicotine product education and cessation programs.

Economic impacts. Consumers will reduce their consumption of affected products or have less after-tax income available to spend or save elsewhere in the economy. Businesses sell the affected products will have less revenue available for investment, which will cause some to reduce or cease operations. The measure is expected to increase employment of early childhood educators and may increase compensation for these workers. The measure may result in health and education benefits over the long term.

Taxpayer impacts. The measure is expected to increase taxes paid by an average of \$77 per Colorado adult in 2022. The direct tax impact of the measure applies only to individuals who consume cigarettes, tobacco products, and/or nicotine products. If the percentage of adult smokers remains constant following the measure's enactment, the measure is expected to increase taxes paid by cigarette smokers by an average of \$455 in 2022.