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# Proposition EE

## TAXATION

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### TAXES ON CIGARETTES, TOBACCO, AND VAPING PRODUCTS

#### CML IS OPPOSED TO PROPOSITION EE

#### Background

Proposition EE raises taxes on cigarettes and tobacco products and establishes a new tax on vaping products. The new taxes increase incrementally until they are fully phased in by 2027. The estimated \$294 million in state tax revenue will mainly be earmarked for preschool and K-12 education programs. However, of particular interest to municipalities, a fraction of the revenue will be earmarked for housing programs in the first three years of implementation. The measure preserves the historical allocation formulas that apportion some existing state cigarette tax revenues to municipalities, as well as recent statutory reforms that allow municipalities to regulate tobacco and nicotine without forfeiting their cigarette tax allocation.

Specific to cigarettes, Proposition EE is expected to reduce over time the amount of state cigarette excise tax revenue shared with municipalities by making the purchase of a pack of cigarettes cost prohibitive. The measure imposes, for the first time in Colorado, a minimum sales price of \$7.50/pack by 2024, plus an excise tax increase from \$0.84 to \$2.64/pack of cigarettes by 2027. Meanwhile, none of the revenue associated with any of the new taxes or tax rate increases reflected in Proposition EE is slated for direct distribution to municipalities.

#### Why CML Opposes Proposition EE

In recent years, there has been a trend in some municipalities toward adopting local taxes on nicotine products, including vaping products. Revenue from such taxes is kept and spent entirely by the municipality. There is concern among some CML members that the sheer size of the proposed statewide tax increase on nicotine products proposed in Proposition EE will make it less likely that municipal voters will approve local nicotine taxes in the future. Thus, Proposition EE may negatively impact a municipality's ability to direct tax revenues to local programs and needs.

*For more information, contact Legislative Advocacy Manager Meghan Dollar at [mdollar@cml.org](mailto:mdollar@cml.org).*