



# Follow-up on City Council's request to evaluate a special tax on tobacco products and raising the required age to purchase tobacco.

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May 13, 2019

# Purpose

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The City Council requested information about the creation of a local special tax on tobacco products & raising the purchase age

- Review how the existing State tax on cigarettes is currently administered
- Review new changes to the law and the impacts
- Evaluate potential changes to the code & tax structure
- Discuss City Council’s desired outcomes and provide staff direction

# Background

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The City receives cigarette stamp tax revenue from the State of Colorado

- Cigarettes are taxed at 4.2¢ per cigarette (84¢ per pack of 20 cigarettes)
- Local governments that enact a local tax are not entitled to an allocation of State cigarette tax revenue (prior to March 2019)
- 27% of the gross cigarette excise tax collected by the State through the tax stamp program is apportioned to cities
- Revenue from the state excise tax over the past four years averaged \$105,228 annually (2015-2018)

# New Law-HB19-1033

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HB19-1033 was signed into law by the Governor on March 28, 2019, which enables cities and counties to pass a special tax on tobacco without losing the State tax revenue sharing component.

# HB19-1333

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On April 24, 2019 the legislature introduced HB 19-1333, which would create a Statewide ballot initiative in November:

- Increase the cigarette tax to 12.95¢ per cigarette (\$2.59 per pack of 20 cigarettes; 8.75¢ per cigarette increase)
- Increase tax on tobacco products to 62% of manufacturer's list price (22% increase)
- Create nicotine product tax of 62% of manufacturer's list price
- 50% of new tax revenue to health care, 50% to preschool programs

# Alternatives

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City Council could take the following actions:

- Continue with current regulations
- Increase the required age for purchase of tobacco products (current requirement is 18 years of age)
- Add a required age for the purchase of e-cigarettes and vaping products (nicotine products)
- Add a local special tax
- Add a licensing requirement for retailers

# Alternatives Continued

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- If the City Council wanted to add a special tax:
- The local special tax could be applied on top of the State excise tax for cigarettes (or exclude them)
  - Could expand local special tax to include all tobacco products
  - Could expand local excise tax to include e-cigarettes and vaping products (they contain nicotine, not tobacco and are currently not subject to the State excise tax)

# Process and Estimated Costs

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- Increasing or adding a required purchasing age would be accomplished via an ordinance change
- If the City Council desires to implement a new local special tax, a ballot question will be required.
  - City Council would pass a resolution authorizing the ballot question
  - The November 2019 election ballot must be certified by September 6, 2019
  - Estimated cost: \$92,000 (does not include soft costs)



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# Questions and City Council Feedback