

STATE OF COLORADO

OFFICE OF THE GOVERNOR

136 State Capitol
Denver, Colorado 80203
Phone (303) 866-2471
Fax (303) 866-2003



John W. Hickenlooper
Governor

April 28, 2017

The Honorable Colorado Senate
State Capitol
200 E. Colfax Ave.
Denver, CO 80203

Dear Members of the Colorado Senate:

Today, I vetoed Senate Bill 17-139, "Concerning the Extension of the Credit for Tobacco Products that a Distributor Ships or Transports to an Out-of-state Consumer" at 3:47pm. Retailers and distributors must pay an excise tax on tobacco products when bringing such products into the state. In 2015, House Bill 15-1301 allowed retailers and distributors to claim a credit for excise taxes on cigars and other non-cigarette tobacco products sold directly to out-of-state consumers. Senate Bill 17-139 extends the credit for three additional years.

Despite proponents' projections in 2015, we are unpersuaded that this credit created any significant economic impact. Proponents argued the credit would move jobs to Colorado. Yet, in 2016, Colorado tobacco distributors claimed only \$11,200 in tax credits on \$28,000 in out-of-state sales to consumers. While well intentioned by the sponsors, the total of these credits are too low to even support a single worker in this industry.

It is undisputed that tobacco product consumption is harmful to public health. According to the U.S. Centers for Disease Control and Prevention, 4.6 million middle and high school students use tobacco products. While only five percent of adults use cigars, over eight percent of high school students use these products. Among middle and high school students, use of cigars nearly equals the rate of cigarettes. Cheaper, candy-flavored cigars are particularly attractive to youth and have the potential to turn kids into lifelong smokers. Cigar smoking is not a safer alternative to cigarettes, and is linked to increased risk of cancer and death. In short, taxes on tobacco products have proven to be an effective public health tool. Allowing reductions for retailers and distributors, such as those reauthorized by Senate Bill 17-139, harms Colorado's ability to educate the public on risks associated with tobacco use.

We believe that tax uniformity and equity are core foundations for an efficient and fair tax code. Excise taxes apply to alcohol, marijuana, tobacco and fuels. Other excise taxes have no such tax credit. As such, uniformity and equity are two important principles absent in this bill. Accordingly, I have vetoed Senate Bill 17-139.

Sincerely,



John W. Hickenlooper
Governor

cc: The Honorable Owen Hill
The Honorable Angela Williams
The Honorable Dan Pabon