

# STATE OF COLORADO

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John W. Hickenlooper  
Governor

June 1, 2018

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

Dear Members of the Colorado Senate:

Today, I vetoed Senate Bill 18-179, "Concerning the Extension of the Credit for Tobacco Products that a Distributor Ships or Transports to an Out-of-state Consumer" at 3:26 PM, 6/21/18.

Senate Bill 18-179 ("SB 18-179") permanently lowers taxes on cigars and other non-cigarette tobacco products sold directly to out-of-state customers. Last year, I vetoed similar legislation, Senate Bill 17-139 ("SB 17-139") to extend a tax credit on sales for these products to out-of-state consumers for an additional three years.<sup>1</sup> Although SB 18-179 differs from the 2017 bill by shifting from a tax credit to an adjustment, according to the nonpartisan fiscal analysis of SB 18-179, the effect is the same.<sup>2</sup> Senate Bill 18-179 goes even further by making the tax reduction permanent.

In assessing the bill's economic impact, we note that the Department of Revenue is not permitted to disclose the number of taxpayers that claim this tax credit, as there are not at least three taxpayers claiming this credit or one of them represents more than 80 percent of the total credit claimed. Furthermore, the bill's proponents identified only one company benefiting from the bill. That company cited fewer than a dozen jobs created due to the existing credit.

While the bill's economic benefits appear minimal, the negative health effects of cheaper tobacco are both significant and compelling. These concerns remain from when we vetoed SB 17-139. As we wrote in our letter to the General Assembly last year:

"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

<sup>1</sup> SB 17-139 Veto Message from John Hickenlooper, Governor, State of Colo., to Colo. Senate (Apr. 28, 2017).

<sup>2</sup> SB 18-179 Revised Fiscal Note, *Colo. Legis. Council Staff* (Apr. 9, 2018) ("Changing these tax expenditures from credits to deductions is *not expected to affect the tax benefit available to taxpayers*. Timing of revenue impacts may shift within fiscal years, but the net revenue impact across fiscal years is expected to be minimal." (emphasis added)).

Letter to the Colorado Senate

June 1, 2018

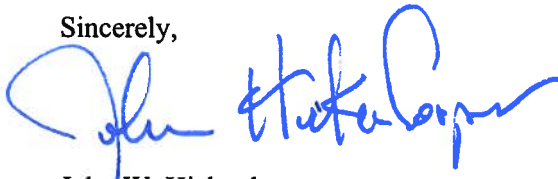
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students, use of cigars nearly equals the rate of cigarettes. Cheaper, candy-flavored cigars are particularly attractive to youth and have the potential to turn kids into lifelong smokers. Cigar smoking is not a safer alternative to cigarettes, and 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."

Furthermore, as we noted in our letter regarding SB17-139, "tax uniformity and equity are core foundations for an efficient and fair tax code." However, SB 18-179 does not extend similar tax benefits to other products such as alcohol, marijuana, tobacco, and fuels. Once more, we reaffirm that uniformity and equity are critical principles for a sound tax code; yet are absent in this bill.

Accordingly, Senate Bill 18-179 is vetoed.

Sincerely,



John W. Hickenlooper  
Governor