



CALIFORNIA 2016  
BALLOT BACKGROUNDER

Proposition **56**

Tobacco Tax

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**Purpose**

Proposition 56 would raise the state's tax on cigarettes by \$2 a pack and on other tobacco products by a similar amount. It would use the most of the new revenues to fund health care and smoking prevention programs.

**Background**

California has been a leader in the effort to curb smoking, which has been proven to cause cancer, heart disease, and other serious illnesses. In the 1990s, for example, the state instituted the nation's first indoor smoking ban<sup>1</sup>, and this year the Legislature increased the legal age to purchase tobacco to 21, tightened the regulation of smoking in the workplace, and broadened the definition of tobacco products to include e-cigarettes.<sup>2</sup> Several initiatives to increase the state's cigarette tax have appeared on the ballot. Voters approved Prop. 99 (1988), which increased tobacco taxes by \$0.25 per pack, and Prop. 10 (1998), which raised these taxes by an additional \$0.50 per pack.<sup>3</sup> Voters narrowly rejected additional initiatives to increase cigarette taxes 2006 and 2012.<sup>4</sup>

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<sup>1</sup> Don Terry, "California's Ban to Clear Smoke Inside Most Bars," *New York Times*, December 31, 1997.

<sup>2</sup> Patrick McGreevy, "California's Smoking Age Raised from 18 to 21 under Bills Signed by Gov. Brown," *Los Angeles Times*, May 4, 2016.

<sup>3</sup> <https://www.cdph.ca.gov/programs/tobacco/Pages/CTCPLegislativeMandateforTobaccoControl-Prop99.aspx>

<sup>4</sup> [https://ballotpedia.org/California\\_Proposition\\_29,\\_Tobacco\\_Tax\\_for\\_Cancer\\_Research\\_Act\\_\(June\\_2012\)](https://ballotpedia.org/California_Proposition_29,_Tobacco_Tax_for_Cancer_Research_Act_(June_2012));  
[https://ballotpedia.org/California\\_Proposition\\_86,\\_Cigarette\\_Taxes\\_\(2006\)](https://ballotpedia.org/California_Proposition_86,_Cigarette_Taxes_(2006))

## PROPOSITION 56—TOBACCO TAX

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As of 2013, approximately 12 percent of adults in California smoke cigarettes, the second-lowest smoking rate in the nation.<sup>5</sup>

### Existing Law

The tobacco tax is an excise tax, which means it applies to a particular product, in contrast to the sales tax, which applies broadly to many products. The state imposes both excise and sales taxes on tobacco products.

Currently California's excise tax on cigarettes is \$0.87 per pack<sup>6</sup>, which ranks 32nd nationally.<sup>7</sup> California's excise taxes on other tobacco products, including cigars and chewing tobacco, are currently \$1.37 per pack. The federal government also imposes an excise tax of \$1.01 per pack for cigarettes, and varying amounts for other tobacco products. Neither California nor the federal government currently imposes an excise tax on e-cigarettes.

### Proposed New Law

Prop. 56 would increase the state excise tax on cigarettes by \$2.00 per pack—from \$0.87 to \$2.87. The measure would impose a similar \$2.00 increase on other tobacco products, such as cigars and chewing tobacco, raising them from \$1.37 to \$3.37 per pack. It also would extend the tobacco tax to electronic cigarettes containing nicotine, meaning that the excise tax on e-cigarettes would go from zero to \$3.37 per pack.

The measure would direct revenues from these taxes to health care programs, as well as to tobacco use prevention and control programs, tobacco-related disease research and law enforcement, University of California physician training, dental disease prevention programs, and administration.

Prop. 56 revenues would be excluded from the state's Prop. 98 mandate for funding K-14 education. This means that all Prop. 56 revenues would go to health-related programs rather than a percentage to public schools.

Some Prop. 56 revenues would be used to offset decreases in existing tobacco-funded programs and sales tax revenues.

The measure also requires a biennial audit of the tax.<sup>8</sup>

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<sup>5</sup> <https://www.cdph.ca.gov/programs/tobacco/Documents/Resources/Fact%20Sheets/2015FactsFigures-web2.pdf>

<sup>6</sup> <http://www.lao.ca.gov/BallotAnalysis/Proposition?number=56&year=2016#main-content>

<sup>7</sup> <http://taxfoundation.org/blog/state-cigarette-tax-rates-2014>.

<sup>8</sup> <http://www.sos.ca.gov/elections/ballot-measures/qualified-ballot-measures/>

### Fiscal Impact

According to the Legislative Analyst, Prop. 56 would increase state revenues by \$1 billion to \$1.4 billion in 2017-18, with potentially lower annual revenues over time. These funds would be allocated to a variety of specific purposes, with most of the monies used to augment spending on health care for low income Californians.<sup>9</sup>

### Supporters

Prop. 56 has received support from the health care community, Democratic elected officials, and others. Organizations and individuals who have endorsed Prop. 56 include:

- California Medical Association
- American Lung Association
- American Cancer Society Cancer Action Network
- American Heart Association
- SEIU California
- Ted Lieu, Congressman
- Alex Padilla, California Secretary of State
- Kevin de León, California Senate President Pro Tem
- Anthony Rendon, California Speaker of the House
- California Democratic Party
- Progressive activist Tom Steyer<sup>10</sup>

### Arguments of Supporters

Prop. 56 supporters say:

- Raising the tobacco tax is a proven way to reduce teen smoking.
- Prop. 56 is a user fee, so only those who smoke pay for the programs to treat smokers and prevent smoking.
- Prop. 56 helps reduce the tobacco-related healthcare costs being placed on non-smoking taxpayers.
- Prop. 56 combats the latest marketing by Big Tobacco to target children.
- Prop. 56 includes transparency and accountability safeguards.<sup>11</sup>

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<sup>9</sup> <http://www.lao.ca.gov/BallotAnalysis/Proposition?number=56&year=2016#main-content>

<sup>10</sup> [https://ballotpedia.org/California\\_Healthcare,\\_Research\\_and\\_Prevention\\_Tobacco\\_Tax\\_Amendment,\\_Proposition\\_56\\_\(2016\)#cite\\_note-OfficialVoterGuide-4](https://ballotpedia.org/California_Healthcare,_Research_and_Prevention_Tobacco_Tax_Amendment,_Proposition_56_(2016)#cite_note-OfficialVoterGuide-4)

<sup>11</sup> <http://vig.cdn.sos.ca.gov/2016/general/en/pdf/complete-vig.pdf>

### Opponents

Opposition to Prop. 56 is led by the tobacco industry. Major opponents include:

- Phillip Morris USA
- R.J. Reynolds Tobacco Company
- California Taxpayers Association
- California Republican Party
- Tom Bogetich, former executive director of the California Board of Education<sup>12</sup>

### Arguments of Opponents

Prop. 56 opponents say:

- Tobacco taxes are regressive and this large tax will disproportionately burden the poor.
- Most of the money that will be brought in by the tax will go to insurance companies, not to treating smokers and anti-smoking programs.
- Prop. 56 shortchanges schools by circumventing Prop. 98, which requires 43% of any new revenues go to public schools.
- The initiative allows for too much administrative cost without enough oversight.<sup>13</sup>

### Campaign Finance

As of September 27, 2016, the Yes on 56 campaign had raised approximately \$21.7 million. Major contributors included the California Hospitals Committee on Issues, SEIU California, California Medical Association, Tom Steyer, California Dental Association, Blue Shield of California, American Cancer Society, American Lung Association, and Planned Parenthood Mar Monte.<sup>14</sup>

The No on 56 campaign raised approximately \$56 million as of September 27, 2016. It is funded almost completely by Phillip Morris, R.J. Reynolds, and their affiliate companies.<sup>15</sup>

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<sup>12</sup>[https://ballotpedia.org/California\\_Healthcare,\\_Research\\_and\\_Prevention\\_Tobacco\\_Tax\\_Amendment,\\_Proposition\\_56\\_\(2016\)#cite\\_note-OfficialVoterGuide-4](https://ballotpedia.org/California_Healthcare,_Research_and_Prevention_Tobacco_Tax_Amendment,_Proposition_56_(2016)#cite_note-OfficialVoterGuide-4)

<sup>13</sup> <http://vig.cdn.sos.ca.gov/2016/general/en/pdf/complete-vig.pdf>

<sup>14</sup> <http://powersearch.sos.ca.gov/advanced.php>

<sup>15</sup> Ibid.

### Conclusion

A Yes vote on Proposition 56 means:

- The state excise tax on cigarettes would increase by \$2 per pack—from 87 cents to \$2.87.
- The tax on other tobacco products would increase by a similar amount.
- The tax would be applied to electronic cigarettes.
- Revenue from these higher taxes would be allocated to several state programs, but mainly for health care for low-income Californians.

A No vote on this measure means: State taxes on cigarettes, other tobacco products, and electronic cigarettes would not change.<sup>16</sup>

**For more information on Proposition 56, visit:**

[www.roseinstitute.org](http://www.roseinstitute.org)

[www.yesprop56.org](http://www.yesprop56.org)

[www.noonproposition56.com](http://www.noonproposition56.com)

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<sup>16</sup> <http://www.lao.ca.gov/BallotAnalysis/Proposition?number=56&year=2016#main-content>