



California Proposition 56, Tobacco Tax Increase (2016)

California Proposition 56, the Tobacco Tax Increase Initiative, was on the November 8, 2016, ballot as a combined initiated constitutional amendment and state statute. A "**yes**" vote favored increasing the cigarette tax by \$2.00 per pack, with equivalent increases on other tobacco products and electronic cigarettes. **It was approved by California voters by a margin of 64.43% YES (nearly 9 million votes) to 35.57% NO (nearly 5 million votes)**.^[1] The tobacco tax increase went into effect on April 1, 2017

State of the ballot measure campaigns

The "No on 56" campaign outraised supporters two-to-one. "Yes on 56" received \$35.53 million, while opponents raised \$70.98 million. **Two of the largest cigarette manufacturers in the U.S., Philip Morris USA, R.J. Reynolds Tobacco Company, and their affiliates, together contributed over \$69 million to "No on 56".** Supporters' biggest donor was Tom Steyer, who contributed over \$11.55 million. Prior to the election, polls showed support for Proposition 56 around 60 percent. The California Democratic Party backed the measure, and the California Republican Party opposed it.

Status of the tobacco tax in California

Prior to November 2016 California had a tobacco excise tax of \$0.87 per pack of cigarettes . The average state tobacco tax was \$1.65 in 2016. Fourteen states had lower tobacco taxes than California, while 34 states and D.C. had higher taxes.

Changes to state law

Proposition 56 increased the tobacco tax by \$2.00, bringing the total tobacco tax up to \$2.87 per pack of cigarettes. The new tobacco tax is being levied on other tobacco products and e-cigarettes Revenue from the additional \$2.00 tax is allocated to physician training, prevention and treatment of dental diseases, Medi-Cal, tobacco-use prevention, research into cancer, heart and lung diseases, and other tobacco-related diseases, and school programs focusing on tobacco-use prevention and reduction.^[3]

Tax allocation prior to Proposition 56

California levies an excise tax on tobacco products. In 2016, the tobacco tax was 87 cents per pack of cigarettes. Revenue from the tax was distributed as follows:^[3]

- 10 cents to the General Fund. About \$84 million was raised for the fund in fiscal year 2015-2016 due to this allocation.
- 25 cents towards tobacco prevention, healthcare services for low-income persons, and environmental protection. Proposition 99 of 1988 created this portion of the tax. About \$259 million was raised for these services in fiscal year 2015-2016.
- 2 cents towards breast cancer screenings and research. For fiscal year 2015-2016, \$20 million was raised for these services.
- 50 cents towards early childhood development programs. Proposition 10 of 1998 created this portion of the tax. About \$447 million was raised for these programs in fiscal year 2015-2016.

The federal government also levied a tobacco tax at \$1.01 per pack of cigarettes.

Changes made by Proposition 56

Proposition 56 did not change how the 87-cent tobacco tax is allocated. Rather, the measure added an additional \$2.00 tax, bringing the total tobacco tax up to \$2.87 per pack of cigarettes. It increased the excise tax on other tobacco products equivalently. **Proposition 56 changed the definition of "other tobacco products" in state law to include e-cigarettes. Therefore, Proposition 99 taxes and Proposition 10 taxes now also apply to e-cigarettes.**^[3]

Revenue distribution

Revenue from the \$2.00 tax levied by Proposition 56 is distributed through a four-step process:^[3]

- **Step 1:** use new revenue to replace old revenue lost due to lower tobacco consumption resulting from tobacco tax increase.
- **Step 2:** use next 5 percent of revenue to pay the costs of administering the tax.
- **Step 3:** allocate \$48 million to enforcing tobacco laws, \$40 million to physician training to increase the number of primary care and emergency physicians in the state, \$30 million toward preventing and treating dental diseases, and \$400,000 to the California State Auditor to audit funds from the new tax.
- **Step 4:** allocate 82 percent of remaining funds toward services related to Medi-Cal; 11 percent of remaining funds toward tobacco-use prevention; 5 percent of remaining funds toward research into cancer, heart, and lung diseases and other tobacco-related diseases; and 2 percent of remaining funds toward school programs focusing on tobacco-use prevention and reduction.

Source : [https://ballotpedia.org/California_Proposition_56,_Tobacco_Tax_Increase_\(2016\)](https://ballotpedia.org/California_Proposition_56,_Tobacco_Tax_Increase_(2016)) footnotes 1, 2, and 3

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