

California Proposition 56, Tobacco Tax Increase (2016)

[https://ballotpedia.org/California_Proposition_56,_Tobacco_Tax_Increase_\(2016\)](https://ballotpedia.org/California_Proposition_56,_Tobacco_Tax_Increase_(2016))

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 tobacco tax was levied on other tobacco products and e-cigarettes as well. Revenue from the additional \$2.00 tax was 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] The federal government levied a \$1.01 tobacco tax in 2016.^[2] Prior to the passage of Proposition 56, revenue from the state tax on tobacco went to the General Fund, tobacco prevention, healthcare services for low-income persons, environmental protection, breast cancer screenings and research, and early childhood development programs.^[3]

How is the current tax allocated?

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

- 10 cents goes to the General Fund. About \$84 million was raised for the fund in fiscal year 2015-2016 due to this allocation.
- 25 cents goes toward 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 goes toward breast cancer screenings and research. For fiscal year 2015-2016, \$20 million was raised for these services.
- 50 cents goes toward 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 levies a tobacco tax at \$1.01 per pack of cigarettes.

How would Proposition 56 change this?

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 and Proposition 10 taxes apply to e-cigarettes.^[3]

How would new revenue be distributed?

Revenue from the \$2.00 tax levied by Proposition 56 would be 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.