



Scott Wright
January 23, 2020

CAST Tobacco Tax Presentation

Avon Tobacco Tax

ORDINANCE NO. 18-08 ESTABLISHING LOCAL TOBACCO REGULATIONS ADOPTED AUGUST 28, 2018

- Created definitions
 - Definition of “Tobacco Product” included cigarettes
- Established minimum legal sales age at 21 years of age or older
- Established licensing requirements
 - \$250 annual license fee
 - Requires positive identification under age of 40 years
 - Requires compliance inspections at least two (2) times per year by Police Dept.

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- Resolution 18-12 Submitted ballot question to electorate

SHALL TOWN TAXES BE INCREASED BY UP TO \$600,000 IN 2019 AND BY SUCH AMOUNTS AS MAY BE GENERATED ANNUALLY THEREAFTER BY THE IMPOSITION OF NEW TAXES AS FOLLOWS:

BEGINNING JANUARY 1, 2019, THERE SHALL BE A NEW TAX OF FIFTEEN CENTS PER CIGARETTE OR THREE DOLLARS PER PACK OF TWENTY CIGARETTES SOLD;

BEGINNING JANUARY 1, 2019, THERE SHALL BE A NEW SALES TAX OF 40% ON THE SALES PRICE OF ALL OTHER TOBACCO AND NICOTINE PRODUCTS;

THE TERMS "CIGARETTES" AND "TOBACCO PRODUCTS" HAVE THE SAME MEANINGS AS IN SECTION 5.10.030 OF THE AVON MUNICIPAL CODE;

AND THAT THE TOWN MAY COLLECT, RETAIN AND EXPEND ALL OF THE REVENUES OF SUCH TAXES AND THE EARNINGS THEREON, NOTWITHSTANDING THE LIMITATION OF ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION OR ANY OTHER LAW?

- Ballot question 2B passed 74.46% to 25.54%

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TOBACCO TAX NUMBERS

Estimating the Per Pack Cigarette Tax

- State tax is \$.84 per pack
- State shares 27% of cigarette tax revenue with local governments
- Avon shareback in 2017 was \$ 37,696.
- Approximately 166,208 packs sold
- Estimated Avon tax @ \$3 per pack = \$498,624

Tax on Other Tobacco Products

- Subject to applicable local sales taxes
- Difficult to estimate

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FINANCIAL IMPLICATIONS

Avon Financial Impacts

- Loss of State Share Back
- Nine Retailers
 - 4 liquor stores, Walgreens, City Market, 2 gas convenience stores, Walmart
- 2019 Cigarette Tax revenues YTD through November = \$173,147
 - Year-end projection of \$190,000 equivalent to 62,667 packs
 - Reduction of 62% in packs sold
 - Difficult to narrow down determine cause of decline
- 2019 Other Tobacco tax YTD through November = \$126,139
 - Avon does not receive 40% on Other Tobacco sales from Walmart

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LESSONS LEARNED (THE HARD WAY)

- HB 19-1033 allows regulation, licensing and fees without forfeiting the state allocation
- If seeking a special tax
 - Prepare your ballot question carefully
 - Estimate your TABOR revenues high
- Make sure the special sales tax requires a separately stated line for the tax
- If levying a tax on both cigarettes and other tobacco products
 - Be sure to exclude cigarettes from the definition of “Tobacco Products”
 - Be sure to state whether the taxes are in-lieu-of or in addition to the regular local sales tax

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COLLECTION AND ADMINISTRATION

- HB19-1033 Specifically allows taxes to be levied for any purpose – does not require the revenues to be earmarked.
- Give merchants lots of time for changes to point-of-sale and to correct initial errors
 - Provide for staff compliance enforcement efforts
- If you have a public improvement company in your jurisdiction, make sure they are aware of any applicable changes to declarations regarding fees.

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COUNTY TAXES

- HB 19-1033 allows a county to levy tobacco taxes within:
 - Unincorporated areas of the county
 - In municipalities that have not yet levied a tobacco tax
 - In municipalities that already have a tobacco tax if:
 - The two parties enter into an intergovernmental agreement for the collection of the tax



Thank You

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