



July 21, 2020

TO: Senator Jerry Hill

FR: California Black Chamber of Commerce
 California Chamber of Commerce
 California Distributors Association
 California Fuels & Convenience Alliance
 California Hispanic Chambers of Commerce
 California Licensed Beverage Association
 California Manufacturers & Technology Association
 California Retailers Association
 Retailers and Store Owners United to Rebuild California’s Economy
 American Petroleum and Convenience Store Association

RE: **SB 793 (Hill) 100% Tobacco Flavor Ban - OPPOSE**

The above-mentioned groups oppose SB 793 (Hill), the 100% ban on menthol cigarettes and flavored tobacco and e-vapor products (excluding Hookah). If passed, the state risks the loss of at least \$ 407 million¹ in revenue over the next two fiscal years at a time when there are drastic budget shortfalls due to the COVID-19 pandemic, and over \$1 billion over four years when fully implemented.

This bill places undue burden on California licensed retailers that have for many years sold tobacco products in a successful and responsible manner to legal age (21) consumers. **These small business owners are struggling during the COVID-19 pandemic** and are working hard to keep the doors open and retain their employees. SB 793 (Hill) will result in lost sales (primary and secondary) and lost jobs. It will negatively impact the thousands of jobs in existing retail establishments and gives advantages to the unregulated, unlicensed, untaxed underground economy

- In fiscal year 2019, the state collected about \$1.8 billion in cigarette excise taxes. This number accounts for over 88% of all tobacco excise tax collections.
- According to the Tax Foundation, banning the sale of flavored tobacco products to adults, including menthol cigarettes, would put nearly \$500 million in just cigarette excise revenues at risk – that’s \$1.8 billion over four years. The impact on state programs that benefit from cigarette excise tax revenue will be disruptive.²
- In addition to the state cigarette excise tax revenues, the proposed flavor ban would also reduce excise tax collections from other tobacco products and the state sales tax applied to the purchase of cigarettes and other tobacco products. Including the loss of these revenue sources, if all flavored tobacco products are banned in California, the state risks the loss of billions in

¹ SB 793 Senate Appropriations Fiscal Note, 2019-2020 Regular Session, version May 5, 2020

² <https://taxfoundation.org/banning-flavored-tobacco-unintended-consequences/>



revenue moving forward. This decline in resources could mean either cuts in government services or further tax increases.

- Proposition 99 in 1988, Proposition 10 in 1998, and Proposition 56 in 2016 all increased tobacco taxes in California, earmarking the revenues to a variety of programs including health care treatment, early childhood education and development, tobacco prevention programs, and miscellaneous medical research programs. Banning flavored products could significantly impact the revenue sources for these programs.

We encourage you to continue to focus and fund education campaigns aimed at reducing youth smoking and vaping.

For these reasons, we urge you to OPPOSE SB 793.

Cc: Members of the Assembly Health Committee
Members of the Assembly Governmental Organization