

Close the Vape & Nicotine Loophole: Put Arizona's Families First

For nearly two decades, First Things First (FTF) has been the voter-approved champion for Arizona's working families and young children. Funded by a tax on tobacco products, FTF provides essential early care and education, preventive health, and family support programs across the state. These investments established by local communities ensure children arrive at kindergarten ready to succeed and that parents and caregivers can access critical resources.

The Funding Challenge – The funding that voters intended for these programs has dropped nearly \$65 million annually since FTF's inception. Continued declines in tobacco tax revenue threaten to reach critical levels without action, risking essential programs for Arizona's youngest children. When Arizona voters approved the tobacco tax to fund early childhood programs, traditional cigarettes dominated the market. Since then, the industry has shifted, introducing new products like vapes, e-cigarettes, and nicotine pouches.

Close The Loophole — Unlike traditional tobacco, these newer products contribute nothing to the early childhood fund, and more consumers are shifting to these new products. One study from Seidman Research Institute projects that up to \$80 million annually could be generated by ensuring these new products are taxed fairly. The industry has evolved, and now, our policies must catch up. This isn't a new tax, it's a long-overdue correction to align today's market with what voters intended.

Put Arizona Families First– Every dollar lost due to this loophole is a dollar that could support working families, help parents and caregivers access high-quality child care, and prepare Arizona's youngest children for school and life. The benefits extend far beyond childhood; strengthening families, communities, and Arizona's economic future. By stabilizing and strengthening early childhood funding, we can ensure families are supported today and grow a strong workforce for tomorrow.

Broad Support – Supporting the healthy development of babies, toddlers and preschoolers is a nonpartisan priority. A recent poll from Data Orbital shows that 62% of Republican primary voters (a traditionally tax-averse group) support closing this loophole and ensuring these products are taxed like other tobacco items. For nearly 20 years, Arizona voters and leaders across the political spectrum have supported investing in early childhood through FTF.

Business Leaders Agree – Arizona's business community understands that lack of child care is not just a family issue but a significant economic one. The inability to access reliable, affordable child care costs the Arizona economy \$1.7 billion annually in lost productivity, employee absences, and workforce turnover. Closing this loophole will provide millions in new revenue to strengthen Arizona's child care infrastructure without impacting the state budget. Business leaders recognize that early childhood investments fuel long-term economic success.

Chambers/groups that have signed-on in support of a policy solution: *Phoenix East Valley Partnership, Arizona Regional Economic Development, Glendale Chamber of Commerce, Peoria Chamber of Commerce, Superior Chamber of Commerce, Globe-Miami Regional Chamber of Commerce, Snowflake Taylor Chamber, Graham County Chamber of Commerce, Springerville-Eagar Regional Chamber of Commerce, Yuma County Chamber of Commerce, Winslow Chamber of Commerce, Page Chamber of Commerce*