

## NATIONAL ASSOCIATION OF TOBACCO OUTLETS, INC.

April 5, 2021

**To:** Co-Chairs Zack Fields and Ivy Spohnholz and Members of the House Labor and Commerce Committee

**From:** Thomas Briant, NATO Executive Director

The National Association of Tobacco Outlets (NATO) is a national trade association that represents numerous retail store members across Alaska. NATO and its Alaska member stores urge you to oppose HB110, which creates a tax on electronic smoking products of 75% of the wholesale price and puts under-21 employees at tobacco retailers out of work. Please consider:

- **Stimulus Funds Negate Need for Tax Increases:** Alaska will receive \$1.02 billion in federal stimulus funds as a result of the passage of the American Rescue Fund. With this significant amount of federal stimulus funds, there is no need to consider raising taxes, including the proposed tax on electronic smoking products.
- **Out-of-State Purchasing by Legal Age Adults:** Enacting this tax will encourage legal age adults to find their products elsewhere, including stocking up in other states. The State does not have the resources to prevent consumers or others from bringing large quantities of electronic smoking products into the State and avoid this excessive tax.
- **Smuggling and an Illicit Market Will Impact Tax Collections:** The new tax will make it more lucrative to smuggle electronic smoking products into Alaska from lower tax states and states. Illicit markets already exist. Participants in these illicit markets, unlike the responsible retailers NATO represents, do not care whether they sell to underage persons or collect taxes, impacting both responsible Alaska retailers and Alaska's receipt of taxes.
- **This is Not the Time to Burden Retailers:** Even if you believe a high tax on electronic smoking products is a good idea, it is simply incredible at this unprecedented time in our country to think about doing so. Retailers have struggled the past year to get by from day-to-day. A large tax increase such as this one may well be the last straw for many retailers, as their businesses, already severely impacted by sales losses due to COVID-19 and lockdowns, will lose even more sales and customers to smugglers and illicit markets. This raises the likelihood of employees losing jobs and stores weighing whether they can survive economically. It is time to support your local retailers, not financially burden them and their customers with new taxes.
- **Tax Regressivity Will Impact Lower Income Citizens:** Increases in tobacco taxes negatively impact those residents least able to afford it, as tobacco product use is generally associated with lower income citizens. With more limited incomes, these adults will likely change their buying habits to find less expensive sources of their preferred electronic smoking products, impacting the viability of Alaska's family-owned and operated retail stores.
- **Under-21 Employees will Lose Their Jobs.** Currently, 19 and 20-year-olds may hold jobs at retail stores that include the sale of tobacco products. This bill would make it illegal for them to sell any tobacco products, placing a hardship on tobacco retailers and their employees. Many retailers, especially smaller or family-owned establishments, need to be able to hire young people, who may be family members, to staff their stores adequately. Those duties may include completing transactions that have both tobacco and non-tobacco items. These clerks are trained

in how to avoid sales of tobacco to underage persons. Prohibiting them from taking these kinds of jobs hurts both them and their potential employers.

Your consideration of our concerns and opposition to HB110 are sincerely appreciated.