

NATIONAL ASSOCIATION OF TOBACCO OUTLETS, INC.

February 18, 2021

To: Chair Mia Costello
Members of Senate 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 SB45, which creates a tax on electronic smoking products of 75% of the wholesale price. The bill also increases the age for tobacco sales to 21, but also puts under-21 employees out of work, and we ask that some consideration be given those workers. As to the tax, please consider:

- **Internet or Out-of-State Purchasing by Legal Age Adults:** Enacting this tax will simply encourage legal age adults to find lower cost alternatives, including over the Internet. Although the bill attempts to address Internet sales, the state does not have the resources to control out-of-state sellers who ship products into Alaska, nor to stop consumers or others from bringing large quantities of electronic products into the state and avoid this excessive tax.
- **Smuggling and an Illicit Market Will Impact Tax Collections:** This new tax will make it more lucrative to smuggle electronic cigarette products into Alaska from lower tax 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 taxing electronic smoking products is a good idea, this is not the time in our country to enact new taxes on what retailers sell. Retailers have struggled the past year to get by from day-to-day. Large tax increases 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 the Internet, smugglers, and illicit markets. This raises the likelihood of employees losing jobs and stores weighing whether they can survive economically. We ask that you support Alaska's retailers, not financially burden them and their customers with new taxes.
- **Taxes on Electronic Smoking Devices are Contrary to Public Health Considerations:** Many consumers reasonably believe that electronic smoking devices are a lower risk alternative to traditional combustible tobacco products. Taxing these devices, some of which have been determined to be modified risk products by the FDA, is contrary to the public health.
- **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 tobacco products, impacting the viability of Alaska's family-owned and operated retail stores.

Your consideration of our concerns and opposition to SB45 are sincerely appreciated.