

## Smoke-Free Alternatives Trade Association

1629 K St. NW, Ste. 300  
Washington, DC 20006  
Phone: 202-251-1661



Re: SENATE BILL 24  
Oppose

### Summary of Key Points:

Senate Bill 24 presents a significant threat to both Alaska's economy and public health by imposing restrictive policies on the vapor industry. While protecting youth from nicotine products is a valid concern, this bill misapplies regulation, contradicts public health research, and inadvertently promotes cigarette smoking through harmful taxation and excessive restrictions.

### Key concerns include:

- **Taxation Increases Smoking Rates** – Research indicates that increased taxes on vapor products lead to higher cigarette consumption among adults. A 25% retail tax on closed vapor systems will have unintended negative public health consequences.
- **Unnecessary Restrictions & Burdensome Compliance** – SB24 proposes onerous reporting requirements, nicotine limitations, and shipping restrictions, placing undue hardship on law-abiding businesses while failing to address the actual sources of youth access.
- **Federal Regulations Already Exist** – The vapor industry is highly regulated under federal laws, including the PMTA process, P.A.C.T. Act, and T21 age restrictions. SB24 attempts to override federal regulations and adds unnecessary complexity to compliance.
- **Contradicts Recent Public Health Data** – The 2024 CDC report shows that youth vaping rates have dropped to a 25-year low, largely due to existing federal policies, making additional state-level restrictions unnecessary.
- **Economic Harm to Alaska** – The vapor industry contributes over \$33 million annually to Alaska's economy and generates \$3.8 million in state tax revenue. SB24 would threaten jobs, small businesses, and economic growth in the state.
- **Encourages Illicit Markets & Smoking** – Restricting nicotine levels and increasing taxes will drive Alaskans to seek vapor products out of state or through unregulated markets, ultimately pushing some back to combustible tobacco products.

For these reasons, I urge this committee to vote NO on Senate Bill 24.

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Chair Bishop, Vice-Chair Stevens, and Esteemed Members of the Senate Committee on Labor and Commerce,

I am submitting this testimony opposing Senate Bill 24 on behalf of independent vapor product businesses in Alaska. While addressing youth vaping is a shared priority, SB24 undermines tobacco harm reduction efforts, threatens small businesses, and contradicts established public health research.

### **Taxation Increases Cigarette Use and Harms Public Health**

The 25% retail tax on closed vapor systems proposed in SB24 is based on flawed logic. Research shows that high vapor product taxes lead to increased cigarette use, particularly among young adults (ages 18-25).<sup>1</sup>

Studies, including research from Georgia State University and the Center for Health Economics and Policy Studies, consistently show that when vapor products become more expensive due to taxation, former smokers return to cigarettes, reversing hard-earned public health gains.<sup>2</sup> A study by Michael Pesko, published in the *Journal of Risk and Uncertainty*, found that: *“For every one e-cigarette pod no longer purchased because of an e-cigarette tax, 6.2 extra packs of cigarettes are purchased instead.”*

Similarly, in Minnesota<sup>3</sup>, increased vapor taxes resulted in:

- 8.1% increase in cigarette use
- 1.4% decrease in smoking cessation
- An estimated 32,400 fewer adults quit smoking

From a public health perspective, any tax policy should ensure that less harmful products remain more affordable than combustible cigarettes. SB24 fails in this regard.

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<sup>1</sup> San Diego State University. (2021, August 30). Intended and Unintended Effects of E-cigarette Taxes on Youth Tobacco Use. Center For Health Economics and Policy Studies - Working Paper Series. <https://cheps.sdsu.edu/docs/e-cig-taxes-cheps-working-paper.pdf>

<sup>2</sup> Pesko, M., Courtemanche, C., & Maclean, C. (2021, May 14). The effects of traditional cigarette and e-cigarette tax rates on adult tobacco product use. SSRN. Retrieved March 28, 2023, from [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3844276](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3844276)

<sup>3</sup> Saffer H, Dench D, Grossman M, Dave D. E-Cigarettes and Adult Smoking: Evidence from Minnesota. *J Risk Uncertain.* 2020 Jun;60(3):207-228. doi: 10.1007/s11166-020-09326-5. Epub 2020 Jul 16. PMID: 32943812; PMCID: PMC7491748.

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### Existing Federal Laws Already Protect Youth from Vaping

Many policymakers mistakenly believe that vapor products are under-regulated. However, vapor products have been federally regulated since:

- 2016 – Federal Product Registration
- 2017 – Ingredients Listing Requirements
- 2020 – Pre-Market Tobacco Application (PMTA) Process, requiring all products to be submitted for FDA authorization
- 2021 – Inclusion in the P.A.C.T. Act, making online direct-to-consumer sales illegal (except in Alaska, due to federal exemptions)
- 2022-Present – Federal Tobacco 21 (T21) law raising the legal purchase age to 21

The 2024 CDC Youth Tobacco Survey confirms that youth vaping rates have already dropped to a 25-year low, largely due to these federal policies. There is no justification for adding additional state-level restrictions that are unnecessary and redundant.

### SB24 Would Harm Alaska’s Economy and Small Businesses

The Alaska vapor industry generates over \$33 million annually, with \$3.8 million in tax revenue.<sup>4</sup> SB24 jeopardizes this economic impact by creating excessive regulatory burdens that will:

- Force small businesses to close due to compliance costs
- Send sales out of state or to illicit markets, reducing state tax revenue
- Increase unemployment, impacting both business owners and employees

Additionally, SB24 seeks to override the P.A.C.T. Act’s geographic exemption for Alaska, which would severely restrict shipping options for legal businesses and consumers in rural areas. This would increase logistical costs for Alaskan retailers while doing little to stop underage access, which has already declined under federal law.

### Nicotine Limitations Undermine Harm Reduction Efforts

One of the most troubling aspects of SB24 is its proposed limit on nicotine levels in vapor products. Nicotine levels must be tailored to individual needs to successfully transition smokers away from combustible cigarettes. The FDA has already granted authorization for vapor

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<sup>4</sup> John Durham & Associates. (2023, September 21). The vapor industry economic impact ... - vaportechnology.org. Retrieved February 15,, 2025, from <https://vaportechnology.org/wp-content/uploads/2023/12/US-Vapor-Industry-Economic-Impact-Report-2023-Dunham-Associates-FINAL-COMBINED.pdf>

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products that exceed the limits proposed by SB24, meaning the bill challenges federal authority and ignores established harm reduction science.

Restricting nicotine levels in Alaska will:

- Drive consumers to other states to purchase higher-strength products
- Encourage black-market sales of unregulated products
- Push some vapers back to smoking, undoing harm reduction progress

### Alternative Policy Recommendation

Rather than punishing responsible retailers and adult consumers, Alaska legislators should:

1. Create a Vaping Advisory Council – A coalition of retailers, manufacturers, health officials, and education leaders to collaborate on youth prevention policies.
2. Focus on Retailer Compliance – FDA data from 2020-2025 shows that only 6% of tobacco compliance inspections in Alaska resulted in violations. Of these, *a single violation was related to vapor*. Rather than punishing the entire industry, enforcement should target repeat offenders.
3. Ensure Harm Reduction Policies – Any taxation or regulation should maintain vapor products as a more affordable, accessible alternative to smoking, in alignment with harm reduction strategies used successfully in countries like the United Kingdom.

### Conclusion: Vote No on SB24

SB24 is a misguided and harmful policy that:

- Increases cigarette smoking rates through unnecessary taxation
- Damages Alaska's small businesses and economy
- Drives consumers to illicit markets or other states
- Contradicts harm reduction science and FDA regulatory decisions

For these reasons, I urge the committee to vote NO on Senate Bill 24 and to consider alternative policies that protect public health without harming businesses and consumers.

On behalf of SFATA members doing business in Alaska,

April L. Meyers, SFATA Board President & CEO