

From: [Alyssa Keill](#)
To: [Senate Labor and Commerce](#)
Subject: Support SB 182
Date: Tuesday, March 3, 2020 10:25:24 AM

Good morning,
I live in Fairbanks and would like to voice my support for SB 182.

First and foremost it is important that Alaska mirror the Federal law that one must be 21 to purchase nicotine/tobacco products, and without AK Statute matching, our SYNAR program cannot make sure this happens. The majority of adult smokers begin before the age of 21.

Secondly, as a youth swim coach, I get to work with kids every day, and they constantly come into practice talking about the issues of vaping in their schools. Increasing the price of e-cigarette products will help prevent youth from picking up the products because it will make them more expensive. Studies over and over show that a minimum price increase of 10% will lead to at least 7% decrease in youth use.

I would love to see a generation that is not addicted to nicotine.
Thank you,
Alyssa Keill



TO: Senate Labor and Commerce Committee
RE: SB 182 - Potential Tax on Vapor/Electronic Cigarette Products
DATE: February 12, 2020

Distinguished Senators:

Logic Technology Development, LLC ("Logic"), headquartered in New Jersey, is one of the largest suppliers of electronic cigarettes/vapor products in the United States.

We write to you today to express our opposition to the proposed bill, SB 182, that seeks to impose a tax on vapor products at a rate of 75 percent.

We urge you to reject the proposed percentage-based tax, which would be crippling to the industry and the jobs and economic activity it supports. Instead, we ask you to consider introducing legislation that would tax all e-liquids at a rate of 10 cents per milliliter of e-liquid, irrespective of whether they contain nicotine.

Our position is clear: minors should not use electronic cigarettes and should not be able to obtain these products. We market our products to adult smokers only and we abide by federal and state regulations that govern our industry. Logic, unlike others in the industry, is not instinctively anti-tax. We recognize the state's interest in deriving revenue via taxation. We have supported efforts nation-wide to implement tax mechanisms on vapor products that provide stable, predictable revenue, without doing irreparable harm to the industry.

Excise tax revenue from vapor sales in traditional retail outlets alone in Alaska could amount to over \$120,000 under our proposed plan, according to the latest available data from MSAi, which tracks tobacco shipments nationwide.¹ This estimate does not include excise receipts from specialty shops (i.e. vape stores, tobacconists or the internet), which would increase the total revenue substantially. For example, in North Carolina, sales to these shops represented 90 percent of the total excise receipts based on MSAi estimates compared to the year-end actuals. If the same were true in Alaska, tax collections would exceed \$1.2 million.

It is critical that any tax levied on vapor products in Alaska is applied in a way that does not drive existing sales across state lines or to online sites that are not concerned with regulatory compliance. Any efforts to impose a percentage-based tax mechanism will only have the effect of increasing incentives for tax evasion and avoidance, thus undermining the state's revenue collections.

Our proposal reduces incentives for tax avoidance by implementing a tax strictly on the consumable material, applied at a fixed level per milliliter of e-liquid sold. States that have implemented similar tax structures have reported little-to-no industry disruption or job loss.

¹ Estimate is based on 482,763 consumer units (CU) sold in the last 52 weeks in Alaska. Using a conservative estimate of a 2.5 milliliter average per CU, we can calculate the estimated revenue generated

A fixed 10 cent per milliliter tax on all e-liquids provides the most certainty and predictability over revenue while providing ease and simplicity of administration.

Conversely, states that have implemented a percentage-based structure, similar to that which you support, saw the category stagnate and businesses close, resulting in economic loss. In Pennsylvania, a 40 percent wholesale tax resulted in 100 businesses closing in the first year, with 1,000 jobs lost, according to the Vapor Technology Association. In Vermont, where a percent-based wholesale tax is set to take effect, there is already anecdotal evidence of small businesses relocating to states with more advantageous tax structures.

Further, any percentage-based tax inevitably advantages the cheapest products in the marketplace. The result of this is larger price differentials between the highest and lowest quality products, a price incentive for adult consumers to move to the cheapest brands, and a race to the bottom for manufacturers that may compromise safety or quality. A fixed tax on the liquid consumed across all devices avoids such a scenario.

From a revenue perspective, the math is simple - as adult consumers migrate to the cheapest products on the market, the state will take in less in tax revenue (both sales and excise) as they are applied as a percentage of the cost.

As the regulatory burden continues to grow on responsible suppliers such as Logic, less scrupulous operators that are not concerned with regulatory obligations, youth access, product quality or consumer protection, will continue to exploit a largely unregulated environment. Indeed, once the federal regulatory requirements take effect on the category next year, it is already estimated that the number of products on the legal market will shrink by up to 90 percent.

We believe that adult smokers should be given the choice and opportunity to purchase and try electronic cigarettes as an alternative to the known harms of smoking combustible cigarettes. By levying the wrong tax on electronic cigarettes in Alaska, adult consumers who already made the switch to electronic cigarettes may return to smoking, abandoning the products that may have the potential to lower risk.

It is our hope that the Legislature will take these points into full consideration as it considers its tax policy and the impact it may have on jobs, public health and state revenue. We remain at your disposal to meet with you or your staff, or to provide further information at any stage.

Yours respectfully,



Rick Chandler
State Government Affairs

From: mailagent@thesoftedge.com on behalf of joe.oconnor@holidaycompanies.com
To: [Sen. Click Bishop](#)
Subject: Oppose Senate Bill 182
Date: Friday, February 14, 2020 7:19:21 AM

Dear Senator Bishop:

Our retail store is located in your legislative district. We have serious concerns with Senate Bill 182, which imposes a new excise tax on vapor products at the rate of 75% of the wholesale price.

This new vapor products tax will cause our store sales to decline further. Our customers are sophisticated and will avoid paying these taxes. They will engage in "show room" shopping, buying a vapor product in our store to try it and, if they like it, make future purchases over the Internet or from illegal sellers and avoid paying excise and sales taxes in the process.

If the intent is to discourage underage vaping, you should know that underage use of cigarettes and tobacco products is at historic lows, a new federal law makes it illegal nationwide to sell tobacco products to anyone under 21, and the FDA has also just regulated vapor products to remove many flavored e-cigarettes from the market to keep them away from youth. These laws should be allowed to work to further reduce underage use of vapor products.

Many adult customers consider vapor products to be a positive alternative to traditional, combustible cigarettes. Because electronic cigarettes heat liquid containing nicotine rather than burn tobacco, they do not share the same health-related characteristics associated with traditional cigarettes, and current scientific information strongly supports that these products offer a consumer a high level of harm reduction. From a retailer's perspective, it seems counterproductive to impose a tax on less harmful vapor products when adult smokers should not be discouraged from using them.

An excise tax that becomes a disincentive for adults to transition from traditional cigarettes to vapor products or creates an incentive for our customers to buy their preferred products on the Internet or illegally to avoid paying taxes is in no one's interest-not the State, not its consumers, and not its retailers.

Please consider the concerns of retailers and oppose Senate Bill 182.

Sincerely,

Joe O'Connor

Location(s):



From: [George Stewart](#)
To: [Senate Labor and Commerce](#)
Subject: SB182
Date: Tuesday, March 3, 2020 9:50:59 AM

Please vote YES for SB 182. It is CRITICAL for the health of youth and adults in Alaska. I'm sure you know about the growing health risks to you with the use of vaping products -- there has been a growing number of teens developing severe lung disease from vaping products and a growing number of teen deaths from it's use.

For the health and safety of adults in Alaska PLEASE VOTE YES ON SB182

George L Stewart, MD (Alaskan for almost 50 years)