

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

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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.<sup>1</sup> 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.

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<sup>1</sup> 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

Members of the Senate Labor and Commerce Committee,

My name is Alex McDonald and I own Ice Fog Vapor in Fairbanks, AK. I am writing today to oppose SB182. This bill is highly flawed and will lead to increased costs to the state, while increasing smoking rates across the state as well. In the mission statement of the bill it is claimed there is no evidence vapor products help quit smoking. Please see the attached study published in the New England Journal of Medicine 2/14/19 that clearly shows these products have been found to be twice as effective as traditional cessation products.

This bill would cost the state money we do not have. Under the fiscal notes submitted, it states there would be no extra cost to the state. This is simply not true. If you look at the attached State Budget Solutions publication in table 4 page 6, it shows that in 2012 the State of Alaska brought in \$67 million in tobacco taxes and \$30 million in tobacco settlement payments. The cost to the state for Medicaid for smoking related illness was \$202 million or 108% of what the state received. Keep in mind these figures are before Medicaid was expanded so the savings to the state now would likely be far greater than the 2012 figure. Less people smoking means more savings to the state budget for years to come.

In the attached study from the National Bureau of Economic Research, they stated that “Our study suggests that, as intended, e-cigarette taxes raise e-cigarette prices and reduce e-cigarette sales. However, an unintended effect is an increase in cigarette sales.” They also state that “Therefore, a national e-cigarette tax will increase traditional cigarettes purchased by 6.2 extra packs for every one standard e-cigarette pod of 0.7 ml no longer purchased.” The study also points out that “traditional cigarettes continue to kill nearly 480,000 Americans each year (Centers for Disease Control and Prevention 2019a), and several reviews support the conclusion that e-cigarettes contain fewer toxicants (National Academies of Sciences Engineering and Medicine 2018, Royal College of Physicians 2019) and are safer for non-pregnant adults (Royal College of Physicians 2019) than traditional cigarettes.” Policies like the ones contained in SB182 have been shown to increase smoking rates instead of decreasing the smoking rates. Smoking is the number one cause of preventable death in this country. We should be putting policies in place that help lower preventable deaths in our state instead of increasing that number.

The issue of taxation of vapor products was brought up during the Walker Administration and rejected as bad policy. The issue was recently brought up for the City of Fairbanks and was rejected as well. Kodiak also voted against a similar tax measure as shops could not survive the added costs. Steam Trunk in Kodiak closed last fall and Arctic Vapor in Fairbanks closed its doors last month as well. This tax would close small businesses and restrict consumer choice of safer alternatives to smoking traditional cigarettes further increasing the smoking rates for the state.

This bill also has other issues besides being poor public health policy. While we can all agree, kids shouldn't be using products intended for adults, this bill allows for parents to purchase for minors and exempts inmates. This seems to punish independent young adults while creating a headache for retailers. How is a sales clerk supposed to know if the adult is the parent of the minor? We have 17 UA campuses around the state as well as numerous military installations. Many responsible young adults make the choice to serve their country, further their education, or

work full time so they can live independently. These young adults are trusted with maintaining multimillion dollar aircraft, weapons systems, managing student loans and their personal finances, but would be made criminals under this bill, while someone living at home or in jail would be free to make choices independent young adults would be stripped of. Idaho recently rejected their T21 bill in a 22-10 vote against, as they didn't see the need to make more people criminals and get more young adults needlessly added to the judicial system.

Thank you for your time and consideration of this matter. I hope we can all work together to make Alaska a better healthier state.

Alex McDonald

Fairbanks, AK

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

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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

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**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)

**From:** [Nancy Tarnai](#)  
**To:** [Senate Labor and Commerce](#)  
**Subject:** SB 182 comment  
**Date:** Wednesday, March 4, 2020 1:21:34 PM

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Hello,

I could not make it to the LIO yesterday but want you to know that I support SB 182. We need to bring Alaska into compliance with the federal Tobacco 21 law (raising the age of sale for tobacco products in Alaska from 19 to 21) and include e-cigarettes to Alaska's existing tobacco products tax. These are very positive moves forward helping protect youth in our state from becoming addicted to nicotine and its horrible consequences.

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Thank you,

Nancy Tarnai

[REDACTED]

Fairbanks, Alaska 99708



**From:** [kylindquist](#)  
**To:** [Senate Labor and Commerce](#)  
**Subject:** Vapor product tax  
**Date:** Thursday, March 5, 2020 1:07:23 PM

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I am writing this letter as a concerned citizen over this new vapor product tax. As a former tobacco user this new tax will effect me and fellow citizens who have chose to kick tobacco. Vapor products have changed my life in all aspects for the better. I feel healthier and I am more active just from the change to vapor products over tobacco. I know many people who have had the same if not similar experiences from kicking tobacco in favor of vaping.

I hope this bill does not pass for it will push me back to using tobacco. Just the thought of having to use tobacco products make me feel terrible for how hard it was to quit in the first place. I do hope to see a smoke free Alaska in the future and this new tax will only push that further down the road.

**From:** [Sarah Eaton](#)  
**To:** [Senate Labor and Commerce](#); [senate.labor.andcommerce@akleg.gov](mailto:senate.labor.andcommerce@akleg.gov)  
**Cc:** [Deanna Clark-Esposito](#)  
**Subject:** Alaska Senate Bill 182  
**Date:** Tuesday, March 3, 2020 1:33:18 PM  
**Attachments:** [FINAL Flyer Coil Maintenance and Safety 2019 NOV 14.pdf](#)  
[FINAL Flyer BATTERY SAFETY 2019 NOV 14.pdf](#)  
[FINAL Flyer FDA Vapor Laws AE Legal Compliance 2019 NOV 14.pdf](#)  
[FINAL Flyer Nicotine and Nicotine Levels 2019 NOV 14.pdf](#)  
[FINAL Guide for Vape & Tobacco Products Retailers 2018 DEC 12 SENT TO CLIENT.pdf](#)  
[FINAL FDA Compliance Manual 2018 DEC 19.pdf](#)

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Re: Alaska Senate Bill 182

Dear Senate Labor & Commerce Committee:

We are the owners of Alaska Elixirs Vape LLC, located in Wasilla Alaska. We have worked with dozens of customers who have left smoking for vaping which the US Food and Drug Administration has consistently acknowledged provides a safer alternative to the traditional combustible cigarette.

We employ eight (8) people full-time and zero (0) people part-time.

Currently in Matanuska Susitna Borough, where our store is located, we are subject to a fifty-five (55%) excise tax of the wholesale price on all of the products we sell which contain nicotine, payable on a monthly basis.

This proposed state excise tax will impose an additional seventy-five (75%) on the wholesale price of the electronic smoking products sold in our store, resulting in a total taxation of one-hundred and thirty percent (130%) which would result in the products themselves costing less than our total tax liability. Inevitably, it would result in our shop closing its doors and going out of business as we would not even be able to break even and make payroll, nevermind making a profit.

### **Protecting Youth and Our Customers**

Our business is a family owned one which does not sell to minors.

We have taken several steps over the course of operating our business to ensure that sales are not made to underage purchasers. Much of this information is contained in our *Alaska Elixirs Tobacco Product Retailer Training Guide on FDA Law*, a copy of which is attached to this email. Activities include training our staff on underage protocols, requiring our staff to re-certify on an annual basis that they have received this training, our Underage Policy which is posted around the shop, and other store signage. We even changed certain flavor names which we concluded could be appealing to children, as well as changed our logo.

We further met with Ms. Kris Greene of Smoke Free Alaska in the latter part of 2019. They came to our shop so we could show them our operations, the youth prevention efforts we have taken, in addition to our *Vapor Safety Handout Series*, copies which are attached and include:

1. Changing Coils & Coil Safety handout
2. FDA Vapor Laws & Alaska Elixirs Vape LLC Regulatory Compliance Scorecard handout
3. Nicotine Types & Levels handout
4. Battery Safety handout

We have also attached our FDA Compliance Manual to provide you with additional information about our company and our efforts and actions to comply with federal US Food and Drug Administration) and state law. While both of these attached publications are from Dec. 2018, counsel for Alaska Elixirs is in the process of updating them to reflect the current state of affairs, including that following the passage of Tobacco 21 in late Dec. 2019.

Vape shops like ours are by and large compliant with the laws and are vigilant at preventing underage sales, unlike what we have seen regarding online sales. Even the FDA distinguished vape shops in this regard from sellers of tobacco products at other locations in its January 2020 publication (page 24) entitled, *"Enforcement Priorities for Electronic Nicotine Delivery Systems ENDS) and Other Deemed Products on the Market Without Premarket Authorization,"* wherein it stated, "...the prioritization of all other flavored ENDS products sold without adequate measures to prevent youth access, should have minimal impact on those **vape shops that primarily sell non-cartridge based ENDS products and that ensure purchasers are of the requisite age and not purchasing for resale...**" [emphasis added]

### **Our Recommendations**

We suggest the State of Alaska take an approach similar to that of the FDA, which is to have greater oversight of those sources where youth have been known to access tobacco products such as convenience stores and online, rather than to force responsible and honest family owned vape shops like ours out of business.

We would be happy to provide any further additional information upon request. Thank you for considering our comments.

Sincerely,  
Sarah Eaton - CFO  
Alaska Elixirs LLC.  
[alaskaelixirs@icloud.com](mailto:alaskaelixirs@icloud.com)



**From:** [Cassie Frost](#)  
**To:** [Senate Labor and Commerce](#)  
**Subject:** Written Testimony re: SB 182 for 3.3.2020 Hearing  
**Date:** Tuesday, March 3, 2020 1:05:46 PM

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Greetings Committee Members,

My name is Cassie Frost, and I am a graduate student in the Master of Social Work program with UAA. I have been working in the youth and family field for over 10 years, working to ensure a healthier future for our next generation. One concern that I have had is the e-cigarette epidemic and the impact it is having on our young people. My family has been affected by the long term damages of tobacco use, including losing my Nana three-years ago to lung disease.

What we know today about the use of e-cigarettes worries me. The health of our young people is essential to future growth and well being of our communities. Schools all over Alaska are reporting surprising rates of e-cigarette devices found on students from elementary to high schools. Our children are getting addicted to nicotine, which will have great impacts to their brain development and health for years to come.

I am reaching out today to ask for your support on SB 182. This bill aims to reduce youth access to these e-cigarette products by enforcing our existing, and effective, tobacco control policies from the age of 19 to 21. This will support our businesses in keeping these products out of the hands of children. Additionally, it will allow these e-cigarette products to be included with all other tobacco products and receive the same tax that already exists. This supports reduction in sales for youth, as they are the most impacted by a price increase on products.

I hope you can join me in addressing the e-cigarette crisis that is affecting the children of Alaska. Please support SB 182 today to improve the health and well being of our youth.

Thank you,

Cassie Frost  
(907) 306-2103  
5309 Dorbrandt St Unit B  
Anchorage AK, 99518  
[chutchings24@gmail.com](mailto:chutchings24@gmail.com)