

May 4, 2023

To: Members of the Alaska Senate Finance Committee  
From: Americans for Tax Reform  
Re: **Oppose SB 89**

Dear Senator,

On behalf of Americans for Tax Reform (ATR), a non-profit organization which advocates in the interests of taxpayers and consumers throughout the United States, I urge you to reject SB 89. This is an unnecessary new tax on your constituents, plain and simple. **For the good of thousands of former smokers across Alaska, it is imperative that this bill does not move forward.**

This legislation seeks to increase the tax rate from 0 to 25 percent on the retail sales price of closed electronic smoking devices, which are used as reduced harm alternatives to tobacco and have played an invaluable role in helping millions to quit smoking cigarettes. Placing a high new tax on vaping devices will have several catastrophic consequences:

- An increase in illicit sales, making it easier for underage Alaskans to get their hands on these products;
- A drop in business and revenue for honest small businesses, while the black market flourishes;
- Drastic increases in cigarette smoking in Alaska and a clear increase in tobacco related mortality, especially for those who cannot afford higher prices for e-cigarettes;
- A disproportionate new burden on the poor, since 3/4 of smokers are low-income;
- A reversal of the steady decline in the youth cigarette smoking rate;
- Barriers to access on a life-saving product that thousands of Alaskan adults rely on to live a long and healthy life.

Imposing taxes on e-cigarettes, which are shown to be 95% [less harmful](#) than cigarettes and the most effective tool for smoking cessation, is proven to drive adults to more deadly alternatives, going against every principle of sound public policy.

Research from the National Bureau of Economic Research (NBER) determined that **Minnesota's tax on vaping products prevented [32,400 additional adult smokers](#) from quitting smoking.** Additionally, they found "consistent and robust evidence" that taxes on e-cigarettes increase smoking rates, decrease smoking cessation, and lead to more tobacco-related deaths.

That same study found that for each 10% increase in the tax rate on e-cigarettes, e-cigarette sales can be expected to drop 26%, while combustible cigarette sales simultaneously rise 11%. **This proposed tax hike on e-cigarettes is expected to lead to a massive increase in cigarette sales. That will cost lives.**

Moreover, **vaping taxes like those proposed in H 199 tend to increase teenage smoking rates.** According to Georgia State University researcher Dr. Michael Pesko, "my scientific opinion is that raising taxes on e-cigarettes...to levels equivalent to cigarettes will increase cigarette use among all populations and cause significant public health harm." A recent [study](#) from Dr. Pesko and other researchers determined that e-cigarette taxes lead to "sizable" increases in cigarette smoking among youth. The researchers warn that the "unintended effects of ENDS taxation may more than fully offset any public health gains."

**High vaping taxes also reinforce socioeconomic inequality.** 72% of people who smoke cigarettes are low-income. Taxes make products less affordable, thereby decreasing access to the groups who would benefit most from switching to vaping.

722 12<sup>th</sup> Street N.W.

Fourth Floor

Washington, D.C.

20005

T:(202)785-0266

F:(202)785-0261

[www.ATR.org](http://www.ATR.org)

Additionally, high e-cigarette taxes could facilitate a flourishing black market for much more dangerous versions of these products. When legal products are rendered unaffordable under a restrictive tax regime, multi-million-dollar organized crime syndicates can take advantage of the opportunity to fill the gap, flooding the illegal market with unsafe products.

In fact, handing more power to these illicit operators may increase youth smoking in the state. By definition, criminals and smugglers have no incentive to obey the law and would not follow the rigorous age-verification requirements that reputable stores follow today.

SB 89 would take profits from small, family-owned vape shops and turn them over to criminal smugglers who have no qualms about selling products to children. At the same time, this drives vape shops out of businesses, costing a significant number of jobs and livelihoods during a period of high economic uncertainty.

### **Benefits of E-Cigarettes and Vapor Products:**

- Vapor products have been [proven to be at least 95% safer](#) than combustible cigarettes. A comprehensive analysis of nicotine product harm estimates that e-cigarettes expose users to just **4% of the harm** of combustible cigarettes.
- E-cigarettes are also more than [twice as effective](#) at helping smokers quit than traditional nicotine replacement therapies. According to one [study](#), a smoker attempting to quit with an e-cigarette has an estimated **323% higher chance of achieving complete cessation** compared to someone using a traditional nicotine replacement therapy like nicotine-containing patches, gum, or mouth spray.
- The Cochrane Review, the gold standard of medical meta-analysis, has identified “high certainty evidence” that e-cigarettes are more [effective](#) than nicotine replacement therapies at helping those who smoke quit.
- Vaping has been endorsed by over 100 of the world’s leading [public health organizations](#) as safer than smoking and an effective way to help smokers quit.
- When e-cigarettes entered the market in 2003, the U.S. adult cigarette smoking rate was 21.6%. **Due to increased access to vaping, the U.S. adult smoking [rate](#) has plummeted to 13.7% as of 2018.**
- New [analysis](#) this year by Public Health England demonstrated just how effective vaping is in helping people quit smoking, noting that in just one year, over 50,000 British smokers, who would have continued smoking otherwise, quit smoking with vaping.
- A University of Glasgow study showed that e-cigarettes are especially advantageous in [helping disadvantaged](#) persons quit smoking. **HB 199 will have a tremendously negative impact on public health and socioeconomic disparities by reducing adult access to products shown to improve these outcomes.**
- A large-scale [analysis](#) from Georgetown University Medical Center estimates that 6.6 million American lives can be saved if a majority of cigarette smokers switched to vaping. **This would save more than 14,500 lives in Alaska.**

722 12<sup>th</sup> Street N.W.

Fourth Floor

Washington, D.C.

20005

T:(202)785-0266

F:(202)785-0261

[www.atr.org](http://www.atr.org)



# AMERICANS *for* TAX REFORM

In the interest of public health, and for the benefit of all Alaskan smokers desperately searching for a way to quit, we call upon you to cast your vote in line with the scientific consensus, and **reject SB 89**. The lives and livelihoods of Alaskans quite literally depend upon it.

Sincerely,

Dennis Hull  
*State Affairs Coordinator*  
Americans for Tax Reform

722 12<sup>th</sup> Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202) 785-0266

F: (202) 785-0261

[www.atr.org](http://www.atr.org)