

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 24, 2016

3:17 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Shelley Hughes, Vice Chair
Representative Jim Colver
Representative Gabrielle LeDoux
Representative Cathy Tilton
Representative Andy Josephson
Representative Sam Kito

MEMBERS ABSENT

Representative Mike Chenault (alternate)

COMMITTEE CALENDAR

HOUSE BILL NO. 304

"An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to the taxes on cigarettes and tobacco products; taxing electronic smoking products; adding a definition of 'electronic smoking product'; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 304

SHORT TITLE: ELECTRNC TAX RETURNS;TOBACCO & E-CIGS TAX

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/08/16	(H)	READ THE FIRST TIME - REFERRALS
02/08/16	(H)	L&C, FIN
02/19/16	(H)	L&C AT 3:15 PM BARNES 124
02/19/16	(H)	Heard & Held
02/19/16	(H)	MINUTE(L&C)
02/22/16	(H)	L&C AT 3:15 PM BARNES 124
02/22/16	(H)	Heard & Held
02/22/16	(H)	MINUTE(L&C)
02/24/16	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

ISAAC HOWELL, Owner
Cold Vapes 907
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 304.

SHEB GARFIELD
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 304.

STEVEN MAPES
Kenai, Alaska

POSITION STATEMENT: Testified in opposition to HB 304.

WILLIAM BOYLES
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 304.

EMILY NENON, Director
Alaska Government Relations
American Cancer Society Cancer Action Network
Anchorage, Alaska

POSITION STATEMENT: Testified in favor of HB 304.

ANGELA CARROLL, Spokesperson
Smoke Free Alternatives Trade Association
Wasilla, Alaska

POSITION STATEMENT: Provided comments that were not on topic with the published agenda on HB 304.

JENNIFER VARGASON
North Pole, Alaska

POSITION STATEMENT: Testified in opposition to HB 304.

PATRICIA PATTERSON
Lucky Raven Inc.
Kenai, Alaska

POSITION STATEMENT: Testified in opposition to HB 304.

ACTION NARRATIVE

[3:17:12 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives Olson, LeDoux, Tilton, Hughes, and Kito were present at the call to

order. Representatives Josephson and Colver arrived as the meeting was in progress.

HB 304-ELECTRNC TAX RETURNS;TOBACCO & E-CIGS TAX

[3:17:26 PM](#)

CHAIR OLSON announced that the only order of business would be HOUSE BILL NO. 304, "An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to the taxes on cigarettes and tobacco products; taxing electronic smoking products; adding a definition of 'electronic smoking product'; and providing for an effective date."

CHAIR OLSON opened public testimony.

[3:18:30 PM](#)

ISAAC HOWELL informed the committee he owns Cold Vapes 907 in Anchorage and stated his opposition to HB 304, which would increase his wholesale tax by 100 percent. He has five employees, pays taxes and insurance on his business, and also supports other businesses that would be affected, such as delivery companies and other related businesses in Anchorage. Cold Vapes 907 is a small family-run business and is not "big tobacco" or "big pharmaceutical." In the U.S., smoking is the leading cause of preventable deaths; however, nine million former smokers have reduced or eliminated putting tobacco smoke in their lungs by their use of vaping products. Mr. Howell related his personal experience using a vaping device to quit smoking. Passing HB 304 would shut down "local vape shops and force smokers to struggle, as I did, to get the right setup." He urged the committee not to pass the bill and put his family out of business and cause his employees to lose their jobs. Although vapers will continue to vape by ordering products online, Mr. Howell pointed out that the state is currently profiting from his business. He referred to a document provided in the committee packet entitled, "Peering Through the Mist," which found no apparent concern for bystanders exposed to e-cigarettes and vapor.

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SHEB GARFIELD said he is an avid vaper and previously smoked for twenty years before he quit three years ago by using vapes. He expressed his opposition to HB 304. The device he uses does not contain nicotine, but under HB 304 the components would be

taxed, as would the e-liquid which is composed of propylene glycol and flavorings. Mr. Garfield said he switched from combustible tobacco to a vapor device for health reasons and to save money; however, the tax would cause the e-liquid to double in price. There are reserve e-liquids that cost from \$20 to \$40 per bottle wholesale, which would be double or triple the cost of cigarettes, thus the tax would make it cheaper for people to smoke than use e-cigarettes. He read from a document provided in the committee packet entitled, "Electronic Cigarettes" that advocated making alternative sources of medicinal nicotine available to smokers as a non-medical alternative to tobacco. Mr. Garfield concluded that taxing vaping devices and e-liquids would cause a decrease in users and thereby more harm, such as increased health care rates, which have decreased due to vaping devices and vape shops in the state.

3:25:19 PM

STEVE MAPES said he was speaking on behalf of adults on the Kenai Peninsula who have made the choice to vape instead of smoke. He read from a document provided in the committee packet entitled, "Peering Through the Mist," published in 2013, which found that the threshold limit values (TLVs) of the contaminants produced from the vapor of vapor devices were magnitudes below the involuntary workplace exposure level established by the U.S. Department of Labor, Occupational Safety and Health Administration (OSHA). Mr. Mapes continued to read from the document which concluded that Alaskan smokers who have switched to vaping have saved thousands of dollars and enjoyed a positive impact on their lives. He opined a draconian tax would severely reduce Alaskans' choices for a better nicotine delivery system.

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WILLIAM BOYLES said he is strongly opposed to HB 304. He started vaping two years ago after death of his father from smoking-related illness. Mr. Boyles tried to quit smoking and learned of a vape pen from his neighbor. He has been smoke-free for two years and this has resulted in better health.

3:30:30 PM

EMILY NENON, Director, Alaska Government Relations, American Cancer Society Cancer Action Network, described her experience working on local and statewide tobacco tax policy in Alaska for 15 years. She pointed out that this issue first and foremost is a public health measure that has the side benefit of reducing

costs to the state. The tax income would be of little help to offset smoking attributable costs; in fact, the state health department has reported that the costs of smoking in Alaska per pack averages \$20 per pack, thus the tax would not recoup said cost. Ms. Nenon said her concern is not about revenue but is focused on the impact of youth use; in the last 20 years there has been a 70 percent decline in youth smoking in Alaska. In addition, she characterized e-cigarettes, as a pediatric epidemic. She expressed her best wishes for those who have been able to switch from traditional cigarettes, however, e-cigarettes are an unregulated product, and their contents are unknown to consumers and retailers. More Alaska high school students who smoke are using e-cigarettes and many products that have been tested contain nicotine. She cautioned that the level of nicotine can vary, although this is not a problem with the retailers, but with the system. E-cigarettes are not an FDA regulated cessation product. Ms. Nenon reminded the committee that nicotine is a neurotoxin and a pesticide, and in any form contributes to addiction in youth.

REPRESENTATIVE JOSEPHSON asked for the meaning of pediatric epidemic.

MS. NENON explained that she used the phrase because there is a public health epidemic. She remarked:

In terms of, while not the same as a classic virus, it is moving in the same manner of seeing this tremendous uptick in e-cigarette use among youth, and then the corollary being we're seeing this on the national level, we'll know in another year when we have Alaska data on this, seeing kids that are, have never smoked, starting with e-cigarettes and moving into smoking. We are already seeing that trend on a national level - it's very disturbing.

3:37:00 PM

REPRESENTATIVE JOSEPHSON asked for written information related to the inaccurate labeling of the abovementioned products. He then asked whether Ms. Nenon believes that using e-cigarettes "beats tobacco."

MS. NENON clarified that a combusted cigarette has 69 known human carcinogens and over 3,000 chemical compounds thus "it's not actually difficult to be less harmful than the combusted cigarette." She added that there are additional dangers of

toxins, volatile organic compounds, carcinogens specific to tobacco, and ultrafine particles from heating the products.

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ANGELA CARROLL provided comments that were not on topic with the published agenda of HB 304.

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JENNIFER VARGASON informed the committee that vaping saved her family "from the ball and chain of tobacco use, and I'm thankful for that." She, her husband, and her family are healthier now, and she opined that the bill should not tax vaping products as the same thing as tobacco products because vaping products do not contain tobacco, and there is no combustion. Ms. Vargason said that reports have found that vaping does not have the harmful effects of smoking, and there are no concerns for bystanders [report not provided]. The ingredients in e-liquids are in everyday foods, and although e-liquids can contain nicotine, studies have shown that nicotine is as safe as caffeine [study not provided]. Ms. Vargason referred to an article entitled, "Everything we know about nicotine wrong" that said that nicotine helps certain conditions, and in some demographics tobacco use is higher, which could be helped by alternatives. She related her personal experience, using tobacco since she was about 9 years old and unable to quit until using vaping products; however, she has been tobacco-free since December 2014, and feels much better. Ms. Vargason urged the committee to reconsider HB 304.

3:44:48 PM

PATRICIA PATTERSON, Owner of the Lucky Raven Inc., stated her opposition to HB 304. Ms. Patterson said HB 304 is not about prevention or tobacco, but is primarily designed to generate more revenue for the state, which is suffering from financial issues; however, she pointed out that one-half of the taxable items could be purchased from another state, which is directly opposite of making more money for Alaska. Currently, her store is one of three stores left in Alaska that sells premium cigars, and cigars for personal use can be sold tax-free in any state. She supported previous testimony that increasing taxes would cause the vape industry to go away, as happened to the cigar industry. Ms. Patterson expressed her desire to help the state find needed revenue to fund programs, but increasing taxes or

taxing products that can be easily bought in another state is not the way.

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CHAIR OLSON announced that public testimony would remain open.

[HB 304 was held over.]

[3:47:56 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:47 p.m.