

HB

299

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 11, 1998

FURTHER REFERRALS:

Date of Committee Action: 5/2/98 am

The FINANCE Committee considered:

SSHB 299

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 299

EXCISE TAX ON TOBACCO PRODUCTS

"An Act reducing excise tax rates for pipe tobacco and cigars; and relating to the definition of 'cigarettes' and 'tobacco products' for the purpose of taxation."

recommends it be replaced with the following committee substitute CS SS HB 299 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) Revenue

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

** Vic counts a 3 votes, since he's so huge.*

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>[Signature]</i>	Therriault		X		
<i>[Signature]</i>	Kelly			✓	
<i>[Signature]</i>	Hankin				X
<i>[Signature]</i>	Mulder	✓			
<i>[Signature]</i>	Martin			X	
<i>[Signature]</i>	Kubring	✓			
<i>[Signature]</i>	G. Davis			X	

10 CHAIR'S SIGNATURE

[Signature] *[Signature]*

Revision Date: April 28, 1998 Dept. Affected: Revenue
 Title: Excise Tax on Tobacco Products BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Representative Williams
 Requestor: (H) FIN COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()	-782.7	-782.7	-782.7	-782.7	-782.7	-782.7

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 CBRF						
1048 University of AK receipts						
Other						
TOTAL						

Estimate of any current year cost 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(see attached analysis)

Prepared by: Brett Fried Phone: 465-3682
 Division: Income and Excise Audit Date: April 28, 1998
 Approved by Commissioner: Wilson L. Condon Date: April 28, 1998
 Agency: Revenue

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Page 1 of 3

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ALASKA DEPARTMENT OF REVENUE
Income and Excise Audit Division

Excise Tax on Tobacco Products
SSHB 299
April 28, 1998
Page 2 of 3

BILL ANALYSIS

Section 1 amends the definition of "cigarette."

Section 2 reduces the tax rate for cigars and pipe tobacco from 75% to 25% of the wholesale value.

Section 3 amends the definition of "tobacco product."

Section 4 adds a definition for "cigar."

OPERATING EXPENDITURES

The Department of Revenue does anticipate additional auditing and examination costs for administering the provisions of this bill. However, because these costs are relatively small and difficult to differentiate from existing cigarette and other tobacco products compliance work, the Department of Revenue is not requesting any additional funds.

REVENUE

The attached analysis details the amount of revenue loss due to the reduction in the excise tax on cigars and pipe tobacco as a result of this bill.

**Alaska Department of Revenue
Income and Excise Audit Division**

Excise Tax on Tobacco Products
SSHB 299
April 28, 1998
Page 3 of 3

	FY99	FY 00	FY 01	FY 02	FY 03	FY 04
TARGETED OTHER TOBACCO PRODUCTS (OTP) TAX						
Wholesale Value OTP	\$5,842,442	\$5,842,442	\$5,842,442	\$5,842,442	\$5,842,442	\$5,842,442
% Cigars & Pipe Tob.	29%	29%	29%	29%	29%	29%
Whole. Value Cigars & Pipe Tob.	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308
Existing Tax Rate	75%	75%	75%	75%	75%	75%
Revenue from Targeted OTP at Existing Rate	1,270,731	1,270,731	1,270,731	1,270,731	1,270,731	1,270,731
Wholesale Value Cigars & Pipe Tob.	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308	\$1,694,308
Increase in Consumption with Lower Tax Rate	\$257,660	\$257,660	\$257,660	\$257,660	\$257,660	\$257,660
Adjusted Wholesale Value Cigars & Pipe Tob.	\$1,951,968	\$1,951,968	\$1,951,968	\$1,951,968	\$1,951,968	\$1,951,968
Reduced Tax Rate	25%	25%	25%	25%	25%	25%
Revenue from Targeted OTP at Reduced Rate	487,992	487,992	487,992	487,992	487,992	487,992
Revenue Loss	\$782,739	\$782,739	\$782,739	\$782,739	\$782,739	\$782,739

Assumptions: (1) With the existing tax rate, there will be a 13.2% drop from the FY 97 total wholesale value (\$6,730,924 to \$5,842,442) because of lower consumption due to the rate change on October 1, 1997, (2) cigars and pipe tobacco constitute 29% of total other tobacco products and (3) no substitution between cigarettes and cigars and pipe tobacco as a result of this bill.

Adopted
5/1/98 pn
0-LS1212F
Glover
5/1/98

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 299()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES WILLIAMS, Dyson, Kohring

A BILL

FOR AN ACT ENTITLED

1 "An Act reducing excise tax rates for pipe tobacco and cigars; and relating to
2 the definition of 'cigarettes' and 'tobacco products' for the purpose of taxation."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 43.50.170(2) is amended to read:

5 (2) "cigarette" means

6 (A) a roll for smoking of any size or shape, made wholly or
7 partly of tobacco, whether the tobacco is flavored, adulterated, or mixed with
8 another ingredient, if the wrapper or cover of the roll is made of paper or a
9 material other than tobacco; or

10 (B) a roll of tobacco wrapped in any substance containing
11 tobacco which, because of its appearance, the type of tobacco used in the
12 filler, or its packaging and labeling, is likely to be offered to or purchased
13 by consumers as a cigarette described in (A) of this paragraph;

14 * Sec. 2. AS 43.50.300 is amended to read:

1 **Sec. 43.50.300. Excise tax levied.** (a) An excise tax is levied

2 (1) on the following tobacco products in the state at the rate of 25 [75]
3 percent of the wholesale price of the tobacco product:

4 (A) hand-rolled cigars; and

5 (B) tobacco in any form suitable for smoking in a pipe;

6 (2) on a tobacco product, except a product described in (1) of this
7 subsection, in the state at the rate of 75 percent of the wholesale price of the
8 tobacco product [PRODUCTS].

9 **(b)** The tax imposed under (a) of this section is levied when a person

10 (1) brings, or causes to be brought, a tobacco product into the state
11 from outside the state for sale;

12 (2) makes, manufactures, or fabricates a tobacco product in the state
13 for sale in the state; or

14 (3) ships or transports a tobacco product to a retailer in the state for
15 sale by the retailer.

16 * **Sec. 3.** AS 43.50.390(4) is amended to read:

17 (4) "tobacco product" means

18 A) a cigar.

19 (B) [A CHEROOT;

20 (C) A STOGIE;

21 (D) A PERIQUE;

22 (E)] snuff and snuff flour;

23 (C) [(F)] smoking tobacco, including granulated, plug-cut,
24 crimp-cut, ready-rubbed, and any form of tobacco suitable for smoking in a
25 pipe or cigarette;

26 (D) [(G)] chewing tobacco, including cavendish, twist, plug,
27 scrap, and tobacco suitable for chewing; or

28 (E) [(H)] an article or product made of tobacco or a tobacco
29 substitute, but not including a cigarette as defined in AS 43.50.170;

30 * **Sec. 4.** AS 43.50.390 is amended by adding a new paragraph to read:

31 (6) "cigar" means a roll of tobacco wrapped in leaf tobacco or a

- 1 substance containing tobacco, including a cheroot, a stogie, or a perique, but does not
- 2 include a cigarette as defined in AS 43.50.170.

Buff Buntis, M.D.

Providence Medical Office Bldg

Providence Medical Ctr, Anchorage AK

Opposed to HB 299

Represents hundreds of Alaskans suffering from ravages
of smoking tobacco: cigarettes, cigars and pipes

In Alaska in practice of Respiratory Disorders since
1973

I see people daily ill from bronchitis and emphysema.
All are smokers or have been smokers.

I hospitalize ~~at~~ or see as consultant ^{in the hospital} at least
one patient every day, a patient that has a tobacco related disease.
The cost of hospitalization
today is in the range of \$1000⁰⁰ per day
or more

I see and have seen in the past 24 yrs.
at least 1 new case every month of bronchogen
lung cancer. All have been smokers except
one who was a woman who's ~~husband~~ husband
smoked heavily.

All inhaled tobacco smoke has the same effect. I
believe all forms of tobacco must be suppressed.

5/10/98 PM
on f.u

HB 299-Reduce Excise Tax on Cigars and Pipe Tobacco

Product price information provided by:

Pete Switzer
Pete's Tobacco Shop
531 East 5th Avenue
Anchorage, Alaska

Effect of new tax on price of cigars/pipe tobacco

A \$2.00 cigar in 1996 now sells for \$4.15

A \$100 dollar box of cigars in 1996 now costs \$200 dollars.
(75% state tax + 15% municipal tax + 10% for freight)

With a 60% decrease in sales, shipping prices increase because the volume is much lower. This also adds to the final price. He is selling less so to maintain his profits he must raise his margins or go out of business.

A pound of average grade of pipe tobacco cost \$23 dollars before the increase. Today that same pound is selling for \$33 dollars.

The good stuff costs \$44/lb, formerly \$34/lb.

All and all and average increase of about \$10/lb

Draft

Rep. Hanley, Rep. Therriault, and members of the Committee:

Good afternoon. My name is Anne Marie Holen and I'm here representing the coalition of Citizens To Protect Kids from Tobacco which includes the Heart Association, Lung Association, Cancer Society, and the Alaska Native Health Board, where I work.

The last time I testified before this committee was a year ago, in support of the tobacco tax increase. My colleagues and I were ecstatic that this committee passed the tobacco tax bill. Your action that day helped make public health history. This summer, the Robert Wood Johnson Foundation is holding its national SmokeLess States conference in Alaska, to honor us for the work we did in passing the tobacco tax. We've been an inspiration to people all over the country who are seeking to end the runaway epidemic of tobacco addiction that kills one out of five Americans.

And now we're faced with a rollback in the tax on cigars and pipe tobacco^{AK}. This is particularly ironic since it comes at a time of increasing public alarm over rising rates of cigar smoking and the astonishing popularity of cigars among kids.

Just last month the National Cancer Institute released its long-awaited monograph ~~on cigars~~, titled "Cigars: Health Effects and Trends." This month's issue of Consumer Reports includes an article titled "Seductive cigars: New ways to addict the next generation." Its concluding paragraph states, "Tobacco is tobacco, so any legislation or regulation that does not include all tobacco products will be far from complete." *Mathematica survey - 1996 74% 33%*

Among other things, the NCI report on cigars states that

- cigars cause cancer of the lip, tongue, mouth, throat, ^{and} esophagus, ~~and larynx~~ with a risk equal to that of cigarettes.
- cigars can cause lung cancer, even among those who supposedly don't inhale.
- secondhand cigar smoke is worse than secondhand cigarette smoke. The cigar events that have recently become so popular expose the poor waiters to dangerously high levels of carbon monoxide and some of the most potent human carcinogens known.
- And: Cigar use has increased dramatically in recent years—coinciding with a huge marketing effort by the cigar industry—and we see that most new cigar users are teenagers and young adults. ~~Even pre-teens are being sucked in by the "cigar craze."~~ In some states, cigar smoking now exceeds smokeless tobacco use among teens. As with any form of tobacco, kids who smoke cigars run a serious risk of becoming lifelong nicotine addicts. 2

A national survey conducted in 1996 found that 27% of high school students had smoked cigars in the past year. A separate survey conducted in California that same year found that the age group with the highest rate of cigar use was young men age

I think you also need to understand what's really going on here. First, we have 5 tobacco industry industry lobbyists making a lot of money and they want to deliver something ~~back~~ to their bosses in North Carolina.

Second, the camel is trying to get his nose under the tent. If the smuggling argument works for cigars, they'll go after the cigarettes tax next.

Third & most important, the industry desperately wants to counteract all the damaging publicity about the Alaska tobacco tax increase. They want to be able to go to legislators and reporter in other states that are ~~looking at~~ considering a tobacco tax increase and say - Don't do it - it's a mess - look what happened in Alaska - it created such a smuggling problem that they had to repeal the tax a year later.

Alaska has a lot to be proud of in our efforts to fight tobacco. Please don't allow those who profit from the sale of tobacco to take us backward.

4:45 min

thanks to this amazingly successful effort by the cigar manufacturers
~~18 to 24. The next highest group was teenage males ages 12 to 17. The conclusion should be crystal clear! Cigars aren't just for old codgers any more.~~

And of course, these statistics are no accident. The launching of *Cigar Aficionado* magazine, paid placement of cigars in movies, and news releases about cigar bars and cigar events were all undertaken to boost sagging cigar sales. And it's been a spectacular success on the part of the tobacco industry. By the way, if you don't think the same thing could happen with pipe smoking, I have a recent picture of Elvis I'd like to sell you. Enough money poured into Madison Avenue ad agencies can create demand for almost anything. The cigar craze took everyone by surprise—except the folks who orchestrated it.

We don't have any data yet on cigar smoking in Alaska, but it's clear that the "cigar craze" has reached our state. One sign of this are the cigar displays you now see on almost every Quik Stop grocery counter.

As for the argument that cigars are expensive enough to deter youth smoking even without the recent tax increase, I have three exhibits to refute that statement. All of these were purchased at the same location in Anchorage.

Exhibit 1 is pack of 20 Marlboros: The cost was \$2.85

3

Exhibit 2 is a pack of 20 Winchester cigars. The price on these was \$2.00

Exhibit 3 is a pack of 5 Tiparillos: These were only \$1.69

And Exhibit 4 is a big hefty Garcia y Vega cigar in its own glass case, for \$2.09

These cigar products are already more affordable to kids and adults than are cigarettes. Why would we want to drop the price even further? And I mention adults here because our efforts have never been aimed solely at kids. Most adult smokers want to quit and high prices provide an incentive. I remember when my parents quit smoking cigarettes in the 1960s, partly because they wanted to save money to buy a truck and camper. Well guess what? My dad switched to a pipe and my sisters and I continued to breathe secondhand tobacco smoke all the years I was growing up. I won't tell you about all of our respiratory ailments because it would take too long. My dad finally quit the pipe about ten years ago and if he was here today I know he would tell you to keep the tax high.

4

I know the tobacco merchants are whining about the tax. Of course they hate it. It's doing exactly what it's supposed to do. And of course they're saying that this outrageously high tax has created a huge smuggling problem. They're hoping this argument, which is unsubstantiated, will lead to a tax rollback. I should mention that Washington State also has a 75% tax on cigars + pipe tobacco, and has since 1993. They haven't felt the need to repeal it. And there is no way such action can be justified here either.

Author: Representative Gene Therriault at LAA_HTHR
Date: 3/6/98 10:14 AM
Priority: Normal
TO: Representative Bill Williams at LAA_CAP
BCC: Mike Tibbles
Subject: tobacco tax

Forwarded message to Rep. Williams

Forward Header

Subject: tobacco tax
Author: pdevine@alaska.net (Patty Devine) at CC2MHS1
Date: 3/6/98 6:33 AM

Hello,

In reference to House Bill 299:

I supported the tobacco tax last year and do NOT want to see the tobacco tax rolled back. I OPPOSE this bill.

Patricia Devine
1500 Elcadore Circle
Anchorage, AK 99507

pdevine@alaska.net



Alaska Native Health Board

4201 Tudor Centre Dr., Suite 105
Anchorage, Alaska 99508

Phone: (907) 562-6006
FAX: (907) 563-2001

March 5, 1998

Letters Editor
Anchorage Daily News
P.O. Box 149001
Anchorage, AK 99508

FAX: 258-2157

Dear Editor:

The fact that five tobacco industry lobbyists are pushing the proposal to repeal the tax on cigars and pipe tobacco should make it obvious that this is a bad idea.

To quote a nicotine researcher at Johns Hopkins University: "Tobacco smoke is tobacco smoke. It's deadly and addictive." It is poor public policy to send any other message to the people of Alaska. As for the contention that kids don't smoke cigars or pipes, it definitely isn't true in regard to cigars and as soon as the tobacco industry decides to change the way it markets pipe tobacco, it won't be true for pipes either. The current "cigar phenomenon" was no accident, folks, and recent news about the popularity of cigars with teenagers should come as no surprise.

Once again, we need to ask our legislators to just say no to the tobacco lobby.

Sincerely,

Anne P. Lanier

Anne P. Lanier, MD

CC: Rep Mark Hanley
Rep Gene Theriault
Rep Eldon Moulder
Rep Gary Davis
Rep Richard Foster
Rep Carl Moses

Rep. Pete Kelly
Rep Vic Kohring
Rep Terry Martin
Rep John Davies
Rep Ben Gussendorf

ALEUTIAN/PRIIBILCF ISLANDS ASSOCIATION
BRISTOL BAY AREA HEALTH CORPORATION
CHUGACHMIUT
COPPER RIVER NATIVE ASSOCIATION
EASTERN ALEUTIAN TRIBES
KODIAK AREA NATIVE ASSOCIATION
MANILAO ASSOCIATION

METLAKATLA INDIAN COMMUNITY
MT SANFORD TRIBAL CONSORTIUM
NATIVE VILLAGE OF EKLUTNA
NATIVE VILLAGE OF TYONEK
NINILCHIK TRADITIONAL COUNCIL
NORTH SLOPE BOROUGH

NORTON SOUND HEALTH CORPORATION
SELDOVIA VILLAGE TRIBE
SOUTHCENTRAL FOUNDATION
SOUTHEAST ALASKA REGIONAL HEALTH CONSORTIUM
TANANA CHIEFS CONFERENCE
YUKON-KUSKOKWIM HEALTH CORPORATION
VALDEZ NATIVE TRIBE



SOUTH EAST ALASKA REGIONAL HEALTH CONSORTIUM
MT. EDGE CUMBE HOSPITAL • 222 TONGASS DRIVE • SITKA, ALASKA 99886 • (907) 968-2411

March 10, 1998

Representative Gene Therriault
State Capitol
Juneau, AK 99801-1182

Dear Representative Therriault,

Last year the Southeast Alaska Regional Health Consortium Health Promotion Department supported the tobacco tax on ALL tobacco products. This year we greatly oppose a cigar and pipe tobacco tax rollback.

The goal of the tobacco tax campaign was to reduce tobacco use among all Alaskans, with emphasis on curbing youth access. It should not be assumed that youth do not smoke cigars or pipe tobacco. Cigar smoking is gaining popularity among teenagers as a result of a sophisticated marketing campaign by the cigar industry. In 1996, 26.7% of 14-19-year-olds smoked a cigar in the past year. Furthermore, cigars and pipe tobacco are NOT a healthy alternative to cigarettes. All forms of tobacco cause health problems.

Please reconsider the House Bill 299 and decide not to schedule this bill for a hearing. Thank you.

Sincerely,

Roz Jenkins
Health Educator

Stephanie Aird
PATCH Program Coordinator

Nancy Knapp
Community Health Planning and Statistical Coordinator

Alaska State Legislature

Committees:
Transportation, Chairman
Resources
Economic Development
Rules



Representative William K. Williams

During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-3424
Fax (907) 465-3793

In Ketchikan:
50 Front Street, Suite 203
Ketchikan, AK 99901
(907) 247-4672
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House Bill 299

Sectional Analysis

- Section 1: Strengthens the definition of a cigarette to include those tobacco products that, because packaging or labeling, could be considered by consumers to be a cigarette.
- Section 2: Reduces the excise tax on cigars and pipe tobacco from 75% of the wholesale price to 25% of the wholesale price.
- Section 3: Adjusts the definition of "tobacco product" in conjunction with section 4.
- Section 4: Defines a cigar.

Alaska State Legislature

Committees:
Transportation, Chairman
Resources
Economic Development
Rules



Representative William K. Williams

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Sponsor Statement

House Bill 299

Last session Senate Bill 13 was passed in an effort to reduce the use of cigarettes by minors. Included in the legislation was the little publicized tripling of the wholesale tax on "other tobacco products." While I supported the tax increase on cigarettes, chewing tobacco and snuff I have seen the negative effects of SB 13 on small businesses dealing with cigars and pipe tobacco.

To fix the problem I introduced House Bill 299 to lower the tax rate on cigars and pipe tobacco. Currently the state taxes the wholesale price of cigars and pipe tobacco at 75%. Since the implementation of the tax increase (from 25%) on October 1, 1997 businesses that sell cigars and pipe tobacco have seen a large drop in sales. Consequently, many small businesses are struggling to stay profitable under the new tax structure.

In my district, cigars and pipe tobacco are generally sold in tobacco shops, liquor stores and bars. These establishments are closely monitored by their proprietors or are already off limits to minors. In addition, AS 11.76.100 and AS 11.76.107 prohibit the sale to or possession of tobacco by a person under the age of 19.

The revenues derived from taxes on cigars and pipe tobacco are deposited into the state general fund. The 75% tax rate is an extreme contribution to the general fund by these particular businesses in Alaska.

I urge your support of this legislation.

Clearing the air...



**on the issue of
cigar and pipe
smoking**

*An information booklet prepared by the
Alaska Division of the American Cancer
Society, the Alaska Heart Association,
and the Alaska Lung Association,
and the Alaska State Health Board*

February 1992

“There’s some incredible myths out there, that cigars are safe and that they’re not addictive. As far as we know, tobacco smoke is tobacco smoke. It’s deadly and addictive. People can quibble about differences, but basically both [cigars and cigarettes] are highly toxic compounds and contain a lot of nicotine.”

—Jack Henningfield, MD, Johns Hopkins University

HEALTH EFFECTS OF CIGAR AND PIPE SMOKING

The health effects of cigar smoking and pipe smoking are discussed less frequently than the effects of cigarette smoking, mainly because many more people smoke cigarettes. Nonetheless, the detrimental health effects of cigars and pipe smoking are well established. Cigars and pipes are nicotine delivery devices that lead to addiction. Like all tobacco products, they deliver known carcinogens (cancer causing agents).

Cigars

- The U.S. Public Health Service has determined that cigar smoking causes laryngeal cancer, oral cancer, esophageal cancer, and lung cancer. (1982 Surgeon General's Report)
- Overall cancer death rates among men who smoke cigars have been observed to be 34% higher than cancer death rates among nonsmokers. (1982 Surgeon General's Report)
- Epidemiologic studies have shown that cigar smokers have 4 to 10 times the risk of dying from laryngeal, oral, and esophageal cancers as nonsmokers. Little difference exists between the rates of these three cancers among smokers of cigars, pipes, or cigarettes. (1982 Surgeon General's Report)
- In combination with heavy drinking, smoking in any form results in especially high rates of laryngeal, oral, and esophageal cancers. (1982 Surgeon General's Report)
- Cigar smoking elevates one's risk for lung cancer, with death rates two to three times higher than among nonsmokers. The risk increases with the number of cigars smoked per day and the degree of inhalation. Many cigar smokers knowingly or unknowingly inhale cigar smoke, especially if they are current or former cigarette smokers. (1982 Surgeon General's Report)
- Cigar smokers experience up to 3.6 times the mortality from chronic obstructive lung disease compared with nonsmokers. (1984 Surgeon General's Report)

(continued)

"A waiter [breathing cigar smoke] faces carbon monoxide levels that could exceed what a tunnel worker would be allowed to be exposed to."

—James Repace, U.S. Environmental Protection Agency

Cigars (continued)

- Cigars contain substantial levels of nicotine, an addictive drug. A single cigar contains 10 milligrams to 400 milligrams of nicotine. A cigarette contains 10 milligrams on average. In cigars, the nicotine is absorbed through the lining of the mouth and pharynx. (Henningfield, et al., "Nicotine content and health risks of cigars," *Journal of the American Medical Association*, 1996; 276:1857-8)
- Cigar smoke poses a risk to nonsmokers who are exposed secondhand. A medium-sized cigar contains as much respirable tar pollution as five cigarettes and as much carbon monoxide as 25 cigarettes. (James L. Repace, "Cigar smoking: The hot new trend in indoor air pollution accelerates," presented at the 125th American Public Health Association annual meeting, Indianapolis, IN, Nov. 9-13, 1997)

Pipe smoking

- Pipe smokers have increased risks of chronic obstructive lung disease, oral cancer, laryngeal cancer, esophageal cancer, and lung cancer. These risks range from 50-250% greater than for nonsmokers. (D.E. Nelson, et al., "Pipe smoking in the United States, 1965-1991: Prevalence and attributable mortality," *Preventive Medicine*, 1996;25:91-99)
- An estimated 1,095 deaths were attributable to pipe smoking in the U.S. in 1991. The relatively low number of deaths as compared to cigarette smoking-related deaths is not because pipe smoking is safe, but because so few people smoke only pipes (only 2% of men in 1991, down from 14.1% in 1965). (D.E. Nelson, et al., "Pipe smoking in the United States, 1965-1991: Prevalence and attributable mortality," *Preventive Medicine*, 1996;25:91-99)
- As with cigarettes and cigars, secondhand pipe tobacco smoke is a health hazard for nonsmokers, with tar emissions being similar to those from high tar cigarettes. (James L. Repace, "Cigar smoking: The hot new trend in indoor air pollution accelerates," presented at the 125th American Public Health Association annual meeting, Indianapolis, IN, Nov. 9-13, 1997)

"We're shocked by the magnitude of cigar smoking among America's kids. It's clearly an outgrowth of the glamorization of cigar smoking among adults."

—Dr. Michael Eriksen, director, Office on Smoking and Health,
Centers for Disease Control and Prevention

TRENDS IN CIGAR MARKETING, PROMOTION, AND USE

The surge in popularity of cigar smoking in the last few years would be hard not to notice. Cigar smoking has been featured, in a positive light, in blockbuster movies such as "Independence Day" and "The First Wives Club." Upscale cigar events have become commonplace in Alaska and elsewhere. Stories about cigars—many with no information about health risks—have appeared in countless newspaper and magazine issues. Cigars can now be found on the checkout counter at virtually any quick-stop grocery store. Most alarming of all, teenagers appear to be taking up cigars in numbers that have caught the public health community by surprise.

Behind all of this is an industry that carefully plotted how to boost cigar sales—and succeeded spectacularly. "It's the most sophisticated campaign I've seen in a long time," says John Pierce, professor of cancer research at the University of California, San Diego. "It's so sophisticated that no one saw it coming."

- Cigar smoking reached its peak in 1964, after the first Surgeon General's report on smoking and health was released, as millions of Americans switched from cigarettes to supposedly safer cigar smoking. However, sales began dropping an average of 5% a year after that peak. (Alec Klein, "The Cigar Caper: The shaping of an illusion," *Baltimore Sun*, Jan. 11, 1998)
- A recent investigative report by the *Baltimore Sun* revealed that the cigar industry began planning the resurrection of cigar smoking two decades ago. According to the report, successful strategies have included manipulation of the media by planting news stories and letters to the editor, paid product placement in Hollywood films, the launching of *Cigar Aficionado* magazine, and other public relations and marketing efforts. (Alec Klein, "The Cigar Caper," *Baltimore Sun*, Jan. 11-15, 1998.)
- The Cigar Association of America estimates that sales in 1997 reached 5.2 billion units, a 53% jump over 1993 sales. (Beth Berselli, "Increase in Cigar Sales Prompts Federal Action," *Washington Post*, February 10, 1998.)
- From 1995 to 1996, cigar usage among 18 to 24-year-olds in the U.S. soared by nearly 37% to 1.13 million. (Alec Klein, "The Cigar Caper: The shaping of an illusion," *Baltimore Sun*, Jan. 11, 1998)

(continued)

“Smokeless tobacco caught us flat-footed in the 1970s and 1980s. We started to pay attention a decade later. We don’t want this to happen again.”

—Donald Shopland, director, Smoking and Tobacco Control Program, National Cancer Institute

Cigar trends (continued)

- In a 1996 survey, 26.7% of 14 to 19-year-olds (about 6 million) reported smoking a cigar in the previous year. Since this was the first national survey to look at cigar smoking among youth, no comparisons can be made to earlier data. However, the numbers have shocked the public health community. (Centers for Disease Control and Prevention, “Cigar Smoking Among Teenagers – United States, Massachusetts, and New York, 1996,” Morbidity and Mortality Weekly Report, May 23, 1997)
- The cigar industry has specifically targeted young men and women with new brands. “Playboy by Don Diego” is a Consolidated Cigar Co. brand “aimed at younger adult smokers,” according to the company’s annual report to stockholders. The company is also planning to introduce a brand aimed at women, “The Cleopatra.” (Alec Klein, “The Cigar Caper: The shaping of an illusion,” Baltimore Sun, Jan. 11, 1998)
- Concerns about rising sales of cigars and their popularity among teenagers have led the Federal Trade Commission to order the country’s five largest cigar makers to disclose how much they spend on advertising and promotion. The information is to be provided to the FTC by April 9, 1998. (Beth Berselli, “Increase in Cigar Sales Prompts Federal Action,” Washington Post, February 10, 1998)

Pipe smoking trends

- While pipe tobacco companies have not yet launched a marketing campaign aimed at boosting pipe tobacco sales, public health experts have little doubt that the U.S. would see surge in popularity of pipe smoking if the industry undertook such an effort.

"The history of trying to control tobacco is that it has an extraordinary way of blossoming into new forms."

—Michael J. Thun, director of analytic epidemiology,
American Cancer Society

QUESTIONS AND ANSWERS ABOUT TAXING CIGARS AND PIPE TOBACCO

Q: Wasn't the tobacco tax increase aimed at curbing youth smoking? If that's the case, why should it apply to cigars and pipe tobacco?

- A. While the goal of the tobacco tax campaign was to reduce tobacco use among all Alaskans, the effect of tobacco tax increases on youth smoking was emphasized because it is true that young people are more responsive to price increases and that if children and teenagers can be discouraged from starting to smoke, they will most likely remain nonsmokers for life.

However, price increases also reduce adult smoking, another major public health benefit. In addition, tobacco taxes help the state recover the costs associated with tobacco-related health problems. All forms of tobacco use cause health problems.

Finally, it should not be assumed that young people do not or will not smoke cigars or pipe tobacco. Cigar smoking appears to be gaining popularity among teenagers as a result of a sophisticated marketing campaign by the cigar industry. While it may be hard to imagine that kids would ever take up pipe smoking, public health experts once made that same assumption about chewing tobacco—only to be proved wrong when the tobacco companies came out with new ads and products that appealed to youth.

Q: Why is the tobacco industry working so hard to repeal the new state tax on cigars and pipe tobacco?

- A. Health advocates in Alaska surmise that the tobacco industry has three goals in seeking to roll back the tax on cigars and pipe tobacco: 1) to prevent the state from collecting tax revenues that would likely be used to fund tobacco prevention and cessation efforts in Alaska; 2) to provide propaganda for use in anti-tax campaigns in other states; and 3) to encourage high rates of tobacco use in Alaska.

Five tobacco lobbyists working in Juneau this year are getting paid a total of \$222,000 to fight tobacco control legislation and push a pro-tobacco agenda. Part of their job will be to prevent any further tobacco control efforts that would be funded with new tax revenues.

While the tax increase on cigarettes was earmarked for school construction and maintenance, the new revenues from taxes on "other tobacco products," which

(continued)

"It's kind of like comparing poisonous snakes."

—Dr. H. Russell Wright Jr., otalaryngologist, Towson University,
comparing cigarette smoking to other forms of tobacco use

QUESTIONS AND ANSWERS (continued)

include smokeless tobacco, cigars, and pipe tobacco, could not be dedicated without violating provisions in the state constitution. However, Alaska's tobacco tax law contains intent language recommending that revenues from the tax on "other tobacco products" be used to fund health projects, and provides for separate accounting of these revenues.

A state-funded tobacco control program would be an obvious and popular choice for the new monies. Clearly, however, the tobacco industry will fight any such proposals, and reducing the available pot of money through a tax rollback will help prevent future efforts aimed at reducing tobacco use in Alaska.

Q: Didn't Alaskans overwhelmingly support the tobacco tax increase?

A: YES. In a statewide public opinion poll released in January 1996, 74% of Alaskans said they favored a \$1 per pack increase in the cigarette tax and 83% said they favored taxing other tobacco products, "such as chewing tobacco, snuff, and cigars," at about the same rate as cigarettes. Eight percent said that other tobacco products should be taxed at a higher rate than cigarettes and only 5% said they should be taxed at a lower rate.



Alaska Commission on Aging

RESOLUTION 98-3

In opposition to HB 299—the reduction of excise tax rates for pipe tobacco and certain cigars, cheroots, and stogies

WHEREAS, One out of five deaths in Alaska is tobacco related; and

WHEREAS, the projected annual revenue from taxes on the sale of tobacco and tobacco products is \$22,048,000; and

WHEREAS, imposing a high cost on tobacco products is one deterrent which assists in discouraging their use; and

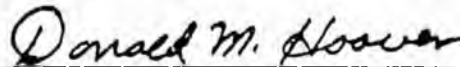
WHEREAS, pipe tobacco, cigars, cheroots, and stogies are tobacco products, contain nicotine, are addictive, and are factored into statistics which identify tobacco as a national epidemic causing almost 420,000 deaths per year and costing more than \$50 billion in direct health care costs each year, not including another \$50 billion in economic productivity losses; and

WHEREAS, emissions from one cigar exceed those from three cigarettes and carbon monoxide levels are 30 times as high, and cigars emit about 5 times as much tar as a cigarette; and

WHEREAS, cigars are smoked by children as well as adults. From 1995 to 1996, cigar usage among 18 to 24 year olds in the United States soared by nearly 37% to 1.13 million.

THEREFORE, BE IT RESOLVED that the Alaska Commission on Aging does not support HB 299.

Adopted this 17th day of February, 1998.



Donald Hoover, Chair

Cigars and Pipe Tobacco: Health Effects

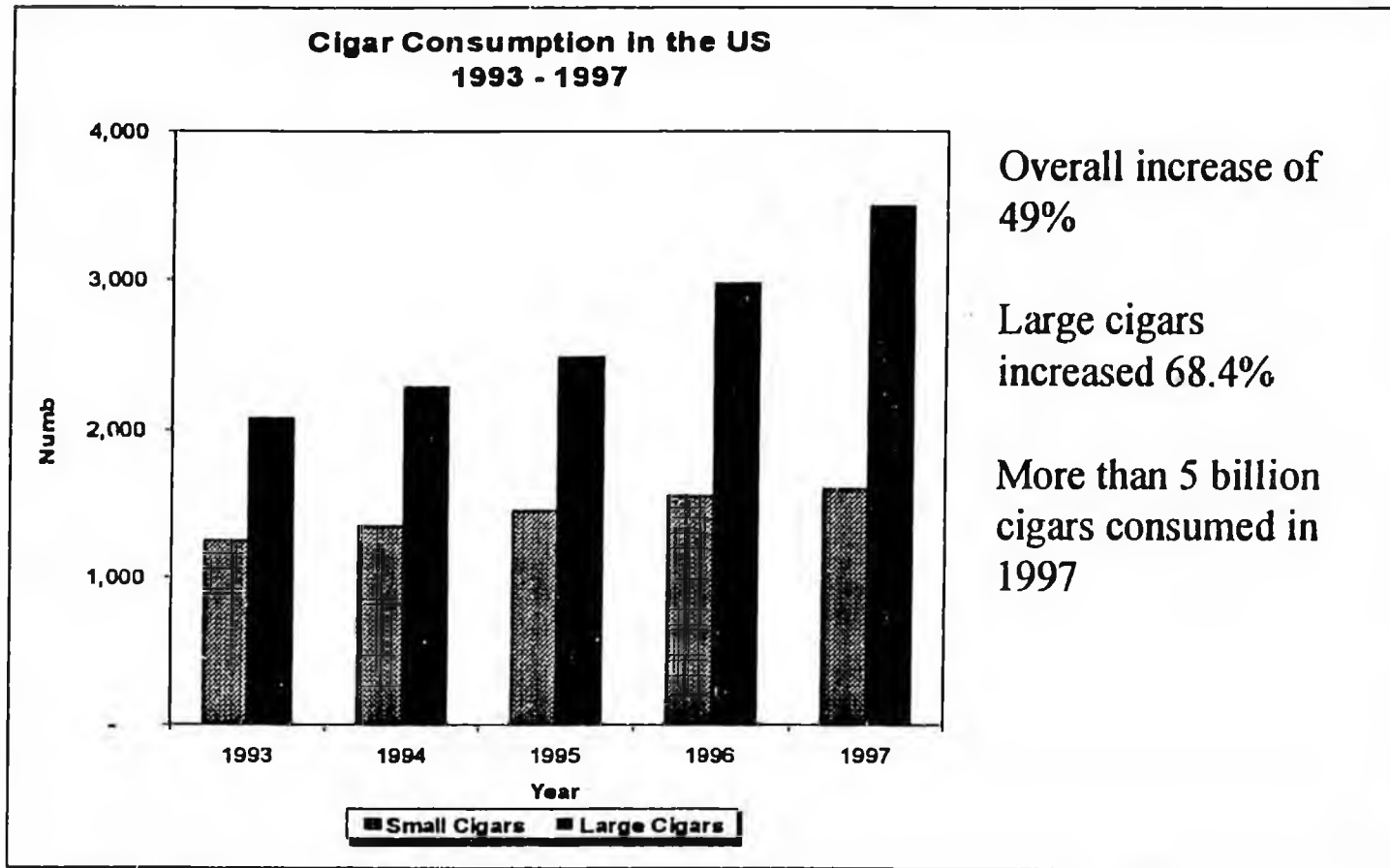
Presentation to the 20th Alaska Legislature



Patterns of Cigar Use

- Since 1993, cigar use has increased nearly **50%**. This coincides with an increase in promotional activities including: publishing ***Cigar Aficionado*** magazine, media coverage of cigar banquets and parties.
- According to the US Department of Agriculture, total cigar consumption in the US was 5 billion cigars in 1997.

Patterns of Cigar Use



Health Risks of Cigar Usage: *Myths and Facts*

- ***Myth:*** *Cigars are used primarily by men aged 40 and over.*
- **FACT:** **Most new cigar users are teenagers and young adult males who smoke occasionally.**

Myths and Facts

- **Myth:** *Cigars and pipe tobacco are safe alternatives to cigarette smoking.*
- **FACT:** Cigar smoking causes a variety of cancers: esophagus, oral cavity, larynx and lung. Pipe smoking increases the risks of developing lung disease and cancers of the lung, esophagus, oral cavity and larynx.

Myths and Facts

- **Myth:** *Cigar smoking is safe if you don't inhale.*
- **FACT:** Even if cigar smokers do not inhale, they have higher levels of risk for oral, throat, and esophageal cancers. Most former cigarette smokers continue to inhale smoke when they switch to cigars.

Myths and Facts

- ***Myth:*** Cigar smoking doesn't lead to nicotine addiction.
- **FACT:** The relapse rate of former cigarette smokers who smoke cigars was twice as great as those who did not smoke cigars. The nicotine from cigars is absorbed into the body through the blood vessels in the mouth. Cigar smokers are twice as likely to take up cigarette smoking for the first time than non cigar smokers.

Myths and Facts

- ***Myth:*** *Cigar smoke is not harmful to non-smokers.*
- **FACT:** A large cigar emits 20 times the ammonia, 5-10 times the cadmium, and up to 89-90 times the highly carcinogenic nitrosamines as a cigarette.

Teen Cigar Use

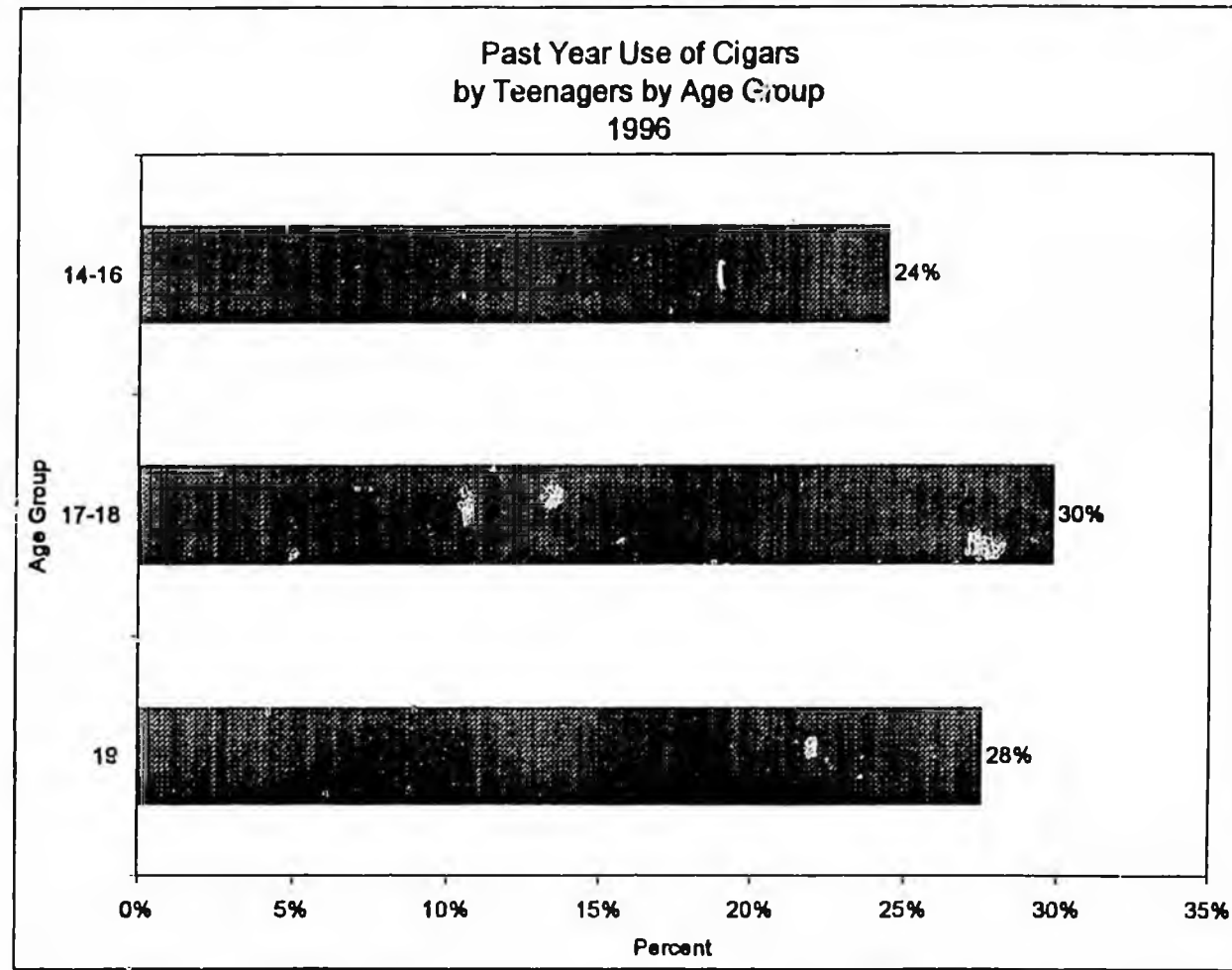
- o Michael Ericksen Director of CDC Office on Smoking and Health: *“Everyone’s been caught napping... We’re shocked by the magnitude of cigar smoking among America’s kids. It’s clearly an outgrowth of the glamorization of cigar smoking among adults.”*



Teen Cigar Use

- About 6 million US teenagers 14-19 years old smoked at least one cigar within the last year.
- According to a recent national survey, 1 of 4 high school students smoked at least one cigar with the past year.
- Some school-based studies report that adolescent boys use of cigars exceed their use of smokeless tobacco.

Teen Cigar Use



Recommendations

- Using tobacco in any form causes health problems. Tobacco taxes help states recover costs associated with tobacco-related health problems.
- Consumers tend to move to lower cost tobacco products. If the cost of cigars and pipe tobacco decreases, the use of these products can be expected to increase.
- Teenage cigar use is on the rise across the country. Lowering the price may make the product more accessible to our youth.