



May 23, 2014

Senate Finance Committee

Dear Legislator,

I write today in opposition to a portion of House Bill 1050 and Senate Bill 763, which would raise taxes on e-cigarettes and vapor products. **Not only will this tax increase hurt North Carolina small businesses, imposing a tax hike on the products makes little sense from a health perspective.** The portion of the bills dealing with vapor products should be stripped from the omnibus tax law changes and considered as stand-alone bills.

Vapor products and e-cigarettes are already taxed at a sales tax rate of between 4.75 and 8.25 percent. Imposing an additional 5-cent per milliliter tax on these products will hurt small businesses struggling to make ends meet. This is especially true of convenience stores, which have begun to rely on these products more heavily to replace revenue lost from declining sales with tobacco products.

While the overall bill may be revenue neutral, **imposing additional taxes on these innovative products will chase business out of the state and onto the Internet, which is already a significant market for e-cigarette and vapor products.** This is particularly troubling in a time of tepid economic growth and in light of the 20 new and higher federal taxes that have been imposed by Congress in the last few years.

Taking aim at e-cigarettes also works at cross-purposes with efforts to cut down on the harm associated with smoking. **A number of studies have shown that electronic cigarettes stand to improve health and prevent disease.** By choosing to “vape” e-cigarettes instead of smoking traditional tobacco, consumers get their nicotine fix without the combustion and smoke, which are responsible for many of the negative health effects of tobacco cigarettes.

A new study funded by the charity Cancer Research UK published in the journal *Addiction* found that smokers trying to quit are 60 percent more likely to report success with e-cigarettes than with any other method. With e-cigarettes, the free market has provided a solution to a problem that social engineers have not been able to address through stiff government regulations. **The imposition of new taxes on innovative products that reduce smoking and people’s dependence on tobacco cigarettes is misguided and will impede proven harm reduction methods.** It makes little sense in this fragile economy to impose higher taxes on a product that provides consumers a viable and harmless alternative to traditional tobacco products.

Last year, the legislature passed the most significant tax reform package of any state in years. It brought tax relief to millions while reversing decades of taxes going in one direction: up. This would reverse course on that progress. **Other states, including Washington, Oregon, Hawaii, Massachusetts, and Vermont have all rejected efforts this year to raise taxes on e-cigarettes and vapor products.** That’s because of the harmful impact on small businesses and concerns about public health. For these reasons, the vapor tax portions of HB 1050 and SB 763 should be stripped from the bills and be considered individually, so that all sides can have an opportunity to debate the merits of the proposal.

If you have any questions about ATR’s position on this issue, please contact state affairs manager Paul Blair at 202-785-0266 or by email at pblair@atr.org.

Onward,

Grover Norquist
President, Americans for Tax Reform

22 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T:(202)785-0266

F:(202)785-0261

www.atr.org