

April 3, 2014

Senate Finance Committee

Dear Legislator,

I write today in opposition to a portion of House Bill 884, which would impose a 92 percent tax on e-cigarettes and increases the smokeless tobacco tax. **Not only is this a massive tax increase that will hurt small businesses in Vermont, but to impose a massive tax on vapor products makes little sense from a health perspective as well.**

By imposing a 92 percent tax on e-cigarettes, some suggest that H.B. 884 will generate upwards of \$500,000 for the state. Small businesses that are struggling to make ends meet will bear the burden of this tax increase. Local brick and mortar vapor stores will be hardest hit, given that this will increase the cost of these products up to \$14. 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.

This 92 percent tax will make Vermont extremely uncompetitive in e-cigarette pricing, leading to an increase in online purchasing and cross-border sales in New Hampshire. **E-cigarettes will prove to be an extremely volatile source that costs in-state businesses tens of thousands of dollars in lost sales, resulting in even less revenue for the state government.**

Taking aim at e-cigarettes 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-cigs 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.

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 hundreds of thousands of dollars in higher taxes on a product that provides consumers a viable and harmless alternative to traditional tobacco products.

H.B. 844 did not go far enough in cutting state spending. As such, I would urge you to remove the entire \$1.2 million in tax hikes from the budget and re-examine the your budget priorities. **For a state that prides itself on human services and health, it would be particularly unwise to use tax hikes to discourage the sale of products that will save the state millions of dollars in health care costs over the long run.**

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](mailto:pblair@atr.org).

Onward,



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