



May 21, 2014

Senate Budget Committee

Dear Legislator,

I write today in opposition to Senate Bill 1867, which would raise taxes on a number of tobacco products and e-cigarettes. **Not only will the tax increases in this bill hurt New Jersey small businesses, imposing a massive tax hike on e-cigarettes makes little sense from a health perspective.**

Some suggest that by tripling the tax on a number of tobacco products and imposing a massive 75 percent tax on e-cigarettes, S.B. 1867 will generate upwards of \$35 million for the state. Small businesses struggling to make ends meet will bear the burden of these tax increases. This is especially true of convenience stores. According to Sal Risalvato from the New Jersey Gasoline, Convenience Store and Automotive Association, “the e-cigarette business is something members have begun to rely on in the past two years to replace the revenue lost from tobacco products.”

Targeted tax increases like those contained in this bill are nothing more than a budget gimmick and placeholder for future tax increases. That’s because targeting e-cigarettes specifically will chase business out of the state and onto the Internet, which is already a significant market for e-cigarette and vapor products. The last set of targeted tax increases went after cigarettes with a 17.5-cent increase in 2007; the tax increase brought in \$52 million less than Garden State lawmakers expected and \$22 million less than was generated before the tax increase. The state wasn’t the only loser in that gamble; small businesses lost tens of thousands of dollars in revenue as well. 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 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 millions of dollars in higher taxes on a product that provides consumers a viable and harmless alternative to traditional tobacco products.

94 percent of the year-over-year budget growth is dedicated to the pension system, health benefits, and debt service costs. Until lawmakers get these expenses under control and rein in spending, tax increases on e-cigarettes will do little to solve New Jersey’s real budget crisis. 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

F:(202)785-0266

F:(202)785-0261

www.atr.org