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## Research & Commentary: Pennsylvania's High Vaping Tax Needs to Go

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In July 2016, Pennsylvania lawmakers passed a \$1.3 billion tax increase that included a 40 percent tax on the wholesale price of electronic cigarettes. The new tax has had a chilling effect on small business in the state.

Chris Hughes, former owner of Fat Cat Vapor Shop, shared with Lindsey Stroud, The Heartland Institute's government relations coordinator, the concerns of many business owners: "So far the death toll of small vapor businesses that have closed since the 40 percent vapor tax was passed in July is at least 67 small businesses closed."

While any tax on e-cigarettes and vapor products is unnecessary and counterproductive, it's good to know the state is considering a proposal to significantly lower the burden on small businesses and vaping consumers by replacing the 40 percent tax with a 5-cents-per-milliliter tax.

Pennsylvania already relies on sin taxes to pay its bills. According to a study by Watchdog.org, Pennsylvania leads the nation in revenue collected from sin taxes; more than \$2.7 billion is collected annually from taxes on tobacco, alcohol, and gaming.

Discouraging smoking is a laudable goal – so why tax a less-harmful alternative? E-cigarette taxes have many negative effects, including driving residents to buy untaxed or lower-taxed products elsewhere, reducing revenues for retailers in the state, and unduly burdening low- and moderate-income families.

Research suggests e-cigarettes are particularly helpful for heavy smokers who have tried and failed to quit through traditional methods such as nicotine gum, the nicotine patch, and medication. Imposing excise taxes on vapor products is not justified from a public health perspective, and it removes a prime economic incentive for smokers to improve their health by switching to e-cigarettes. The American Association of Public Health Physicians has concluded e-cigarettes "could save the lives of 4 million of the 8 million current adult American smokers who will otherwise die of a tobacco-related illness over the next 20 years."

Taxes on vapor products are highly regressive and unduly burden moderate- and low-income individuals. In a *Cato Journal* article, Kevin Callison and Robert Kaestner found from "2010 to 2011, smokers earning less than \$30,000 per year spent 14.2 percent of their household income

on cigarettes, compared to 4.3 percent for smokers earning between \$30,000 and \$59,999 and 2 percent for smokers earning more than \$60,000.” This would be true for vapor products as well, since the overwhelming majority of people who vape are or were smokers.

Targeted taxes such as those on vapor products disproportionately harm low-income taxpayers while punishing local businesses. Pennsylvania’s current vaping tax has already begun harming small businesses and consumers, costing hundreds of jobs and making a less harmful alternative to smoking less attractive.

The following documents provide additional information on tobacco taxes and other “sin” taxes.

Research & Commentary: Electronic Cigarettes Can Save Medicaid Billions

<https://www.heartland.org/publications-resources/publications/research--commentary-electronic-cigarettes-can-save-medicaid-billions>

In this *Research & Commentary*, Heartland Institute Senior Policy Analyst Matthew Glans argues states can improve their residents’ health and reduce Medicaid costs by avoiding policies that discourage the adoption and use of e-cigarette products as an alternative to smoking.

Qualitative Study on E-cigarettes Shows More Evidence of Tobacco Harm Reduction

<https://www.heartland.org/publications-resources/publications/qualitative-study-on-e-cigarettes-shows-more-evidence-of-tobacco-harm-reduction?source=policybot>

In this *Research & Commentary*, Heartland Institute Government Relations Coordinator Lindsey Stroud examines a study, published in *The International Journal of Environmental Research and Public Health* in June 2016, that provides additional evidence showing e-cigarettes and vaporized nicotine products (VNP) are an effective tobacco harm-reduction tool.

Heartland Daily Podcast – Chris Hughes: On the Front Lines of the FDA's War on Vaping

<https://www.heartland.org/news-opinion/news/heartland-daily-podcast--chris-hughes-on-the-front-lines-of-the-fdas-war-on-vaping?source=policybot>

Chris Hughes, owner of Fat Cat Vapor Shop and former president of the Pennsylvania chapter of the Smoke Free Alternatives Trade Association (SFATA), joins the Heartland Daily Podcast to talk about the U.S. Food and Drug Administration’s new deeming rules on vaping.

Three Reasons to Avoid Tobacco Taxes

<http://www.commonwealthfoundation.org/policyblog/detail/three-reasons-to-avoid-tobacco-taxes>

Elizabeth Stelle of the Commonwealth Foundation examines Pennsylvania’s proposed tobacco tax hikes. Stelle argues they are the wrong prescription for the state, and she outlines several reasons why they are harmful.

Five Things to Consider Before Raising Tobacco Taxes: A Review of the Research

<https://heartland.org/policy-documents/five-things-consider-raising-tobacco-taxes-review-research>

This Heartland Institute *Policy Brief* argues, “Tax increases above current levels are not justified by appealing to the costs smokers impose on nonsmokers. Smokers already pay more than this measure could justify.”

Peering Through the Mist: Systematic Review of What the Chemistry of Contaminants in Electronic Cigarettes Tells Us about Health Risks

<http://heartland.org/policy-documents/peering-through-mist-systematic-review-what-chemistry-contaminants-electronic-cig>

Electronic cigarettes are generally recognized as a safer alternative to combusted tobacco products, but there are conflicting claims about the potential health concerns these products may present. This paper reviews the available data on the chemistry of aerosols and liquids of electronic cigarettes and compares modeled exposure of vapers with occupational safety standards.

Research & Commentary: New CDC Report Finds Vaping Helps Smokers Quit

<https://www.heartland.org/policy-documents/research-commentary-new-cdc-report-finds-vaping-helps-smokers-quit>

A report released by the Centers for Disease Control and Prevention (CDC) found only 0.4 percent of the people who had never smoked tobacco in a CDC study group are current vapers, which the report defines as using a vaping device either every day or some days. The CDC report, the first of its kind, estimates e-cigarette use among U.S. adults using a nationally representative household survey. The report finds only 3.4 percent of adults who have never smoked have tried an e-cigarette; 12.6 percent of Americans have tried an e-cigarette; and fewer than 4 percent of the U.S. population are regular e-cigarette users.