



Baltimore's proposed e-cigarette tax is a defective way to cure budget shortfalls

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Proposed Baltimore E-Cigarette Tax is a Faulty and Disingenuous Way to Attempt to Recover Lost Revenue

In mid-October, Baltimore City Council President (and newly elected Mayor) Brandon Scott released a proposal that would impose a tax increase on electronic smoking devices. The bill would establish a 30 percent excise tax on electronic smoking devices, including vape pens, hookahs, and e-cigarettes. Overall, this is yet another measure to boost revenue because the city's economy continues to struggle in the midst of the ongoing coronavirus pandemic.

This proposed tax increase is a bad idea for several reasons. First, tobacco tax increases often result in long-term revenue shortfalls. From 2001 to 2011, "revenue projections were met in only 29 of 101 cases where cigarette/tobacco taxes were increased," according to the National Taxpayer Union Foundation.

Second, these taxes are regressive. Lower-income Americans spend a larger share of their disposable income on cigarettes, vaping, and tobacco products, which means the tax hikes in Scott's bill would disproportionately impact impoverished and working-class Baltimore residents.

A *Cato Journal* article notes 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."

What's more, following the coronavirus pandemic, small businesses in Baltimore are still struggling to remain open after the mandated lockdown. Changes in unemployment from September 2019 to September 2020 show Baltimore's unemployment rate is up 80.63 percent. Levying a 30 percent tax on e-cigarettes would devastate local vape shop owners when Baltimore residents and small business owners are already facing an uphill battle due to COVID-19 restrictions. Actions that would further harm small businesses in the current environment is the opposite approach the City Council should be considering during this precarious economic period.

Heartland Institute experts have examined the effects of tobacco taxes and their impact on youth consumption. For instance, studies show Pennsylvania's 40 percent wholesale tax on vaping products did not result in less use among middle schoolers and high schoolers after the tax was enacted.

In fact, the substantial decline in youth combustible cigarette use is likely attributable to the rise in popularity of electronic cigarettes. Although youth use of e-cigarettes is worrisome, the 2018 data indicates that fewer students are vaping than when cigarette use was at an all-time high. In

2018, only 20.8 percent of students reported using e-cigarettes, which is a huge decrease from 1997, when 36 percent of high school students reported they smoked cigarettes.

The use of any and all tobacco products was significantly lower in 2018 than in 1997. Despite fearmongering about a youth vaping epidemic, tobacco product use has *decreased* from 42.7 percent of high school students in 1997 to only 27.1 percent in 2018.

Furthermore, e-cigarettes and vaping products have helped millions of adults transition from combustible cigarettes to tobacco harm reduction products.

Youth use of tobacco products is at an all-time low. However, if the Baltimore tax increase becomes law, it would likely drive teens back to smoking cigarettes or other substances, which are much deadlier. Even worse, an overall increase in taxes for e-cigarettes in Baltimore would almost surely lead thousands of former smokers back to combustible cigarettes.

It is disingenuous that City Council members would move to increase taxes on electronic cigarettes now, while the data shows that these products have resulted in less youth tobacco use and are a valuable tool to help adults transition from much more harmful combustible cigarettes.

And finally, a black market is all-but-guaranteed to fill any voids that may appear because the law of supply and demand almost always prevails. City Council members should refrain from levying frivolous taxes on e-cigarettes and vaping products and turn towards well-calculated reductions in city spending as a way to address budget shortfalls following the coronavirus-related downturn. Typically, it is preferable to address budget shortfalls with tactical spending cuts instead of huge tax increases on hard-working residents and small business owners.

The following articles provide more information on e-cigarettes and tobacco harm reduction.

Tobacco Harm Reduction 101: A Guidebook for Policymakers

<https://www.heartland.org/publications-resources/publications/latest-heartland-policy-booklet-addresses-vaping-myths>

This booklet from The Heartland Institute aims to inform key stakeholders on the much-needed information on the benefits of electronic cigarettes and vaping devices. Tobacco Harm Reduction 101 details the history of e-cigarettes, including regulatory actions on these products. The booklet also explains the role of nicotine, addresses tax policy and debunks many of the myths associated with e-cigarettes, including assertions about “popcorn lung,” formaldehyde, and the so-called youth vaping epidemic.

Podcast Series: Voices of Vapers

<https://www.heartland.org/multimedia/podcasts?fromDate=&toDate=&q=voices+of+vapers>

In this weekly podcast series, State Government Relations Manager Lindsey Stroud talks with researchers, advocates, and policymakers about tobacco harm reduction and electronic cigarettes. The series provides important information about the thousands of entrepreneurs who have started small businesses thanks to THR and the millions of adults that have used electronic cigarettes and vaping devices to quit smoking tobacco cigarettes.

Vaping, E-Cigarettes, and Public Policy Toward Alternatives to Smoking

<https://www.heartland.org/publications-resources/publications/vaping-e-cigarettes-and-public-policy-toward-alternatives-to-smoking>

For decades, lawmakers and regulators have used taxes, bans, and burdensome regulations as

part of their attempt to reduce the negative health effects of smoking. Recently, some have sought to extend those policies to electronic cigarettes. This booklet from The Heartland Institute urges policymakers to re-think that tax-and-regulate strategy. Policymakers should be mindful of the extensive research that supports tobacco harm reduction and understand bans, excessive regulations, and high taxes on e-cigarettes often encourage smokers to continue using more-harmful traditional cigarette products.

Research & Commentary: Centers for Disease Control and Prevention Link Majority of Vaping-Related Hospitalizations to THC Product

<https://www.heartland.org/publications-resources/publications/research--commentary-centers-for-disease-control-and-prevention-link-majority-of-vaping-related-hospitalizations-to-thc-products>

In this Research & Commentary, Heartland State Government Relations Manager Lindsey Stroud examines the Centers for Disease Control and Prevention's Morbidity and Mortality Weekly Report which found nearly 77 percent of vaping-related hospitalizations are due to the use of tetrahydrocannabinol products. These findings are similar to what have been reported in other states, including Connecticut, Oregon, Texas, and Utah.

Research & Commentary: Flavor Bans Do Not Reduce Youth E-Cigarette Use

<https://www.heartland.org/publications-resources/publications/research--commentary-flavor-bans-do-not-reduce-youth-e-cigarette-use>

In this Research & Commentary, State Government Relations Manager Lindsey Stroud examines the California Youth Tobacco Survey results from 2017-18, finding youth vaping has increased in several California localities that have restricted access to flavored tobacco product. Stroud finds youth vaping has increased in both Santa Clara and Contra Costa counties. Stroud also notes that banning flavored e-cigarettes is likely to reduce the number of adult smokers switching from combustible cigarettes to tobacco harm reduction devices, and could lead former smokers back to cigarettes.

Research & Commentary: 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 State Government Relations Manager 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 (VNPs) are an effective tobacco harm-reduction tool.

Nothing in this Research & Commentary is intended to influence the passage of legislation, and it does not necessarily represent the views of The Heartland Institute. For further information on this and other topics, visit the [Budget & Tax News](#) website, [The Heartland Institute's website](#), our [Consumer Freedom Lounge](#), and [PolicyBot](#), Heartland's free online research database.

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