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Testimony from:  
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In SUPPORT of House Bill 877, “AN ACT To amend Chapter 11 of Title 48 of the Official Code of Georgia Annotated, relating to taxes on tobacco products, so as to lessen the tax rate on modified risk tobacco products; to provide for related matters; to provide for an effective date; to repeal conflicting laws; and for other purposes.”

February 13, 2018

### **About Us**

R Street Institute is a nonprofit, nonpartisan, public policy research organization based out of Washington, D.C. We strive to promote free markets and effective government policies in many areas, including harm reduction.

Our interest and efforts in promoting reasonable policy related to harm reduction are based in both our scientific expertise in neural mechanisms of addiction and personal experiences. There has been much progress made in understanding what biological factors lead to dependence and addiction and thus, how addiction can be treated and managed. Towards that end, we know that harm reduction approaches are effective for people who use addictive substances but for whom abstinence approaches will not work. We believe that there are viable methods of encouraging use of less harmful products, which can be accomplished by reducing taxes and respecting individual liberties.

Vapor products that could be officially labeled as “modified risk” are intended for long-term use in a “harm-reduction” mode, not short-term use as a medication. While electronic cigarettes and other reduced risk products are not totally safe or healthful, they are far less harmful than cigarettes. Public Health England estimates that e-cigarettes are no less than 95 percent safer than combustible cigarettes [1] and both Public Health England and the Office of the Surgeon General report that e-cigarettes have a similar risk profile to other nicotine replacements, such as the patch and nicotine gum [1, 2].

We write to you in support of the proposal to reduce the taxes by 50 or 25 percent for any product included in a modified risk tobacco product (MRTP) order pursuant to 21 U.S.C. Section 387k(g)(1) or 21 U.S.C. Section 387k(g)(2). There is an expectation that e-cigarettes and similar products will soon be given MRTP approval given recent recognition by the FDA

Commissioner, Dr. Scott Gottlieb, and the Director of the Center for Tobacco Products, Mitch Zeller that nicotine products exist on a continuum of risk.

From a public health perspective it is important to incentivize people to use less harmful products. Additionally, keeping the total cost of e-cigarettes at a price that will encourage people avoid choosing combustible cigarettes is a measure that policymakers can take to encourage people to switch. Several analyses have shown that price elasticity of e-cigarettes is between -1.2 and -1.9 depending on the type of system used [3]. However, the price elasticity of combustible cigarettes centers around -0.4 [4], meaning that combustible cigarettes are less vulnerable to prices changes than their much safer counterparts – e-cigarettes. HB 877 recognizes the public health benefits of reduced-risk products and takes steps to encourage people to adopt these products as an alternative to their more harmful counterparts – the combustible cigarette.

Any measure that provides tobacco users with more, healthier choices is a step in the right direction. However, as of right now, the taxes on these safer substitutes remain far too high. The tax burden limits tobacco users' freedom of choice and dissuades them from seeking healthier alternatives. We should not discourage Georgians from making healthier choices. Rather, we should lower taxes on less risky options providing Georgians with more, healthier choices. As these products become more affordable, more Georgians will be able to choose less harmful alternatives to traditional cigarettes.

Roughly 480,000 people die annually in the United States due to smoking-related illnesses [5]. Given this colossal human cost, the Georgia legislature should recognize the potential of e-cigarettes to mitigate the risks associated with combustible cigarettes. It is imperative that the total cost of e-cigarettes and vapor products remain at levels that encourage, rather than discourage, people to choose less harmful products. Doing so will reduce the incidence and cost of tobacco-related disease.

HB 877 provides Georgia with a chance to be a leader in promoting a policy that reduces harm, limits unnecessary taxes and is less of an impediment on personal liberty.

1. Directorate, H.W., *E-cigarettes: a new foundation for evidence-based policy and practice*. 2015, Public Health England.
2. General, O.o.t.S., *The Health Consequences of Smoking—50 Years of Progress*. 2015, U.S. Department of Health and Human Services: Rockville, MD.
3. Huang, J., J. Tauras, and F.J. Chaloupka, *The impact of price and tobacco control policies on the demand for electronic nicotine delivery systems*. *Tob Control*, 2014. 23 Suppl 3: p. iii41-7.
4. Grace, R.C., B.M. Kivell, and M. Laugesen, *Estimating cross-price elasticity of e-cigarettes using a simulated demand procedure*. *Nicotine Tob Res*, 2015. 17(5): p. 592-8.
5. "Fast Facts: Diseases and Death," *Centers for Disease Control and Prevention* (November 16, 2017). [https://www.cdc.gov/tobacco/data\\_statistics/fact\\_sheets/fast\\_facts/index.htm](https://www.cdc.gov/tobacco/data_statistics/fact_sheets/fast_facts/index.htm).