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May 15, 2017

**Chairman Neil C. Abramson
Ways and Means Committee
Louisiana House of Representatives
Box 94062
900 North Third St.
Baton Rouge, Louisiana 70804**

**Testimony from:
Carrie Wade, Director of Harm Reduction Policy, R Street Institute**

In OPPOSITION to HOUSE BILL NO. 271 – \$0.08/ml tax increase on nicotine-containing liquid

Mr. Chairman,

My name is Carrie Wade and I serve as director of harm reduction policy at the R Street Institute, a nonprofit, nonpartisan, public-policy research organization headquartered in Washington. We strive to promote free markets and limited, effective government in many areas, including harm reduction.

My academic background is in the neural mechanisms of addiction, specifically evaluating neurochemical and anatomical changes that happen in the brain following the onset of addiction. Scientists have made great strides in understanding what biological factors lead to dependence and addiction and how addiction can best be treated and managed. There is now a growing consensus that harm-reduction approaches can positively affect the health and welfare of people who use addictive substances.

I write to you out of concern over the proposed tax increase on nicotine liquid. Under this bill, electronic cigarettes and other vapor products will be taxed at a rate of \$0.13/ml of liquid, up from the current rate of \$0.05/ml. From a public-health perspective, it is important to encourage people to use *less* harmful products. Increasing the costs of e-cigarettes will only encourage people to remain smoking combustible cigarettes.

E-cigarettes are intended by both manufacturers and vendors to serve as cigarette substitutes for current smokers who need or simply desire self-administered nicotine without the deadly tar and other products of combustion found in tobacco cigarettes. These vapor products are intended for

long-term use in a “harm-reduction” mode, not short-term use as a medication. While e-cigarettes are not totally safe or healthful, they are far less harmful than cigarettes. Public Health England estimates that electronic cigarettes are no less than 95 percent safer than combustible cigarettes¹ 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.^{2,3}

The price elasticity of e-cigarettes is between -1.2 for disposable and -1.9 non-disposable systems,⁴ while the price elasticity of combustible cigarettes is approximately -0.4.⁵ In other words, taxes on e-cigarettes are more likely to discourage their use than taxes on cigarettes have been to do the same. It is important to remember that those in lower socioeconomic status populations, who share a higher burden of tobacco-related diseases, are even more sensitive to the proposed tax increase. It is therefore crucially important that the potential of e-cigarettes to mitigate the risks associated with combustible cigarettes be recognized by setting the cost of e-cigarettes and vapor products at a level that encourages, rather than discourages, people to choose these less harmful products. Doing so will reduce the incidence and cost of tobacco-related disease.

Sincerely,

Carrie Wade
R Street Institute

¹ Directorate, H.W., *E-cigarettes: a new foundation for evidence-based policy and practice*. 2015, Public Health England.

² Ibid.

³ 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.

⁴ 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.

⁵ 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