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Suite 900

Washington, D.C. 20005

202-525-5717

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Testimony from:

Kristen Nyman, Government Affairs Specialist, R Street Institute

Testimony on the Budget

(ENTER DATE)

Members of the New Hampshire Legislature:

My name is Kristen Nyman, and I am a Government Affairs Specialist with the R Street Institute—a nonprofit, nonpartisan public policy research organization based in Washington, D.C. We strive to promote free markets and limited, effective government policies in many areas, including tobacco harm reduction. Our tobacco harm reduction team has an extensive background in holistically evaluating the neurochemical and anatomical factors that contribute to addiction. Our goal is to ultimately create a safer environment by mitigating the risks associated with harmful substances.

As it stands, the Legislature is considering a tax on e-cigarettes and vapor products.ⁱ While I understand that taxation is one of the Legislature’s primary jobs, I urge you to exercise restraint. Tobacco has traditionally been taxed based upon risk, and understandably so. Smoking is exceedingly dangerous. However, e-cigarettes have a reduced harm profile as compared to combustible cigarettes, and when e-cigarettes are taxed at a lower level, it incentivizes smokers to switch and make less harmful decisions.

E-cigarette products serve as a safer cigarette substitute because they do not carry the same deadly risks of tar and other combustion-related products found in tobacco cigarettes. In fact, Public Health England estimates that electronic cigarettes are 95 percent safer than combustible cigarettes.ⁱⁱ And both Public Health England and the United States’ Office of the Surgeon General report that e-cigarettes have a similar risk profile to other nicotine replacements, such as the nicotine patch and nicotine gum.ⁱⁱⁱ In addition, data from the Centers for Disease Control (CDC) show that e-cigarette users are much more likely to attempt to quit than non-e-cigarette users—65 percent versus 40 percent. The same CDC data shows that e-cigarette users enjoy higher rates of long-term success in quitting than non-e-cigarette users—4 percent versus 8 percent.^{iv}



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In order to enhance these positive effects, it is important to keep the costs of e-cigarettes relatively low. Combustible cigarettes were formerly viewed as an inelastic product, unaffected by even draconian price increases due to the lack of a viable alternative, until the introduction of e-cigarettes disrupted the market.^v Currently, the price elasticity of e-cigarettes is between -1.2 for disposable and -1.9 for non-disposable products, while the price elasticity of combustible cigarettes is around -0.4.^{vi} It is important to remember that those in lower socioeconomic strata—who share a higher burden of tobacco-related diseases—are more sensitive to the proposed tax increase and would be most harmed by it.

The potential for e-cigarettes to mitigate the risks associated with combustible cigarettes cannot be understated. Therefore, it is imperative that the New Hampshire Legislature act with caution regarding the e-cigarette tax to ensure that the total cost of e-cigarettes and vapor products is at a level that encourages, rather than discourages, people to choose these less harmful products. Doing so will reduce the frequency of tobacco-related diseases for the estimated 15.7 percent of New Hampshire residents who smoke.^{vii}

The truth is that incentives matter. Raising taxes too highly on improved behavior disincentivizes individuals from giving up smoking. New Hampshire should promote better decisions, not punish them with increased taxes. For these reasons, I hope the committee members will use great prudence.

Thank you for your time, and should you have any questions, please do not hesitate to contact me.

Respectfully submitted,

Kristen Nyman
Government Affairs Specialist
R Street Institute
knyman@rstreet.org

ⁱ New Hampshire Department of Revenue Administration, “RSA 78:2, II,” August 1, 2013.
<https://www.revenue.nh.gov/faq/tobacco.htm>



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ⁱⁱ H. W. Directorate, "E-cigarettes: a new foundation for evidence-based policy and practice," (Public Health England, 2015). <https://www.gov.uk/government/publications/e-cigarettes-an-evidence-update>

ⁱⁱⁱ Ibid.

And

U.S. Department of Health and Human Services. The Health Consequences of Smoking: 50 Years of Progress. A Report of the Surgeon General. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014. Printed with corrections, January 2014.

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^{iv} S. H. Zhu, Y. L. Zhuang, S. Wong, S. E. Cummins, G. J. Tedeschi, E-cigarette use and associated changes in population smoking cessation: evidence from US current population surveys. *BMJ* 358, j3262 (2017).

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^v Sam Wylie, "Smoke and Mirrors," Dartmouth University, Fall 1999.

http://mba.tuck.dartmouth.edu/paradigm/back_issues/fall1999/articles/smokeandmirrors.html

^{vi} R.C. Grace, B.M. Kivell, and M. Laugesen, "Estimating cross-price elasticity of e-cigarettes using a simulated demand procedure," , National Center for Chronic Disease Prevention and Health Promotion, December 28, 2014.

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<https://tobacconomics.org/wp-content/uploads/2018/05/1-s2.0-S009174351830135X-main.pdf>

^{vii} "America's Health Ranking, Public Impact: Smoking, New Hampshire," United Health Foundation, 2019.

<https://www.americashealthrankings.org/explore/annual/measure/Smoking/state/NH>