



February 12, 2020

Dear Legislator,

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, I write to express our strong opposition to HB 32. This misguided legislation would impose a significant tax on products that help traditional tobacco users transition to less harmful vapor products. If lawmakers approve the \$50 million tax increase contained in HB 32, it would lead to reduced health outcomes, hurt small businesses, and require consumers to pay more for safer alternatives. We urge you to stand with taxpayers and reject this misconceived tax hike.

As you may be aware, vapor products contain no tobacco; they contain nicotine without the harmful chemicals found in traditional tobacco products. Therefore it is concerning that HB 32 attempts to lump vapor products into the same category as other tobacco products. Subjecting vapor and e-cigarettes to the same state regulation and tax treatment would be an ill-advised approach to addressing public health concerns for tobacco users. If HB 32 is approved and an 27.5 percent tax rate is applied to vapor products, it would directly harm many Kentuckians, particularly lower and middle-income tobacco users who wish to switch to products that may improve their health and well-being.

This legislation is proposed at a time when scientific literature is coalescing around the fact that vaping is significantly less harmful than traditional combustible cigarettes. A recent study has shown vaping can reduce the harm associated with smoking by as much as 95 percent, and can be as much as twice as effective as gum or patches to help users quit. It is growing ever clearer that vapor products are an innovative and effective bridge for smokers transitioning toward significantly less harmful alternatives. For years, government officials have taken steps to reduce the prevalence of tobacco usage, and the free market has produced a solution to address this serious problem. Support for policies that raise barriers for people to access healthier alternatives, as HB 32 proposes to do, will simply derail efforts to lower health care costs and reduce government spending.

Some supporters of this legislation might view it as an easy way to boost state coffers. However, lawmakers should be aware that taxes on tobacco and tobacco-related products usually yield vastly lower revenue than is projected. A 2013 study by NTU's research arm, National Taxpayers Union Foundation, found that revenue projections were met in only 29 of 101 cases where tobacco-related taxes were raised between 2001 and 2011.

Due to the many problems with HB 32, NTU strongly believes this proposal would harm consumers far more than it would help them. Accordingly, we encourage you to keep these concerns in mind as you work toward a more fiscally responsible future for Kentucky taxpayers and consumers.

Sincerely,

Thomas Aiello
Policy and Government Affairs Associate