

**Remarks before the House Ways and Means Committee, Ohio General Assembly
by Tony Abboud, Executive Director, Vapor Technology Association**

March 9, 2017

Chairman Schaffer, Vice-Chair Scherer, Ranking Member Rogers, and distinguished members of the committee, my name is Tony Abboud. I am the Executive Director of the Vapor Technology Association. I want to thank you for giving me the opportunity to appear before you today on behalf of the thousands of small and mid-sized businesses, across the country and here in Ohio.

The Vapor Technology Association is the leading national trade organization representing manufacturers, wholesalers, distributors, small business owners, and entrepreneurs who have developed innovative and quality vapor products.

The leading rationale for taxing cigarettes is discouraging their use due to negative consequences for the user (such as death and disease) and where it leads to a tangible cost to society (such as medical treatment that is paid for by taxpayers in the form of socialised medicine).

However, vapor products, have not been shown to have negative consequences for users and are viewed as 95% safer than cigarettes.

E-CIGARETTES: AN EVIDENCE UPDATE

A Report Commissioned by Public Health England, May 2016

The United Kingdom's Department of Health (Public Health England) recently re-affirmed its 2014 conclusion that "most of the chemicals causing smoking-related disease are absent and the chemicals present pose limited danger." After another independent exhaustive review of all existing scientific literature, Public Health England concludes that "the current best estimate is that e-cigarette use is around 95% less harmful than smoking" tobacco. Read the full report: <https://www.gov.uk/government/publications/e-cigarettes-an-evidence-update>

NICOTINE WITHOUT SMOKE: TOBACCO HARM REDUCTION

Royal College of Physicians, April 2016

This 200-page report provides an update on the science of tobacco harm reduction, in relation to all non-tobacco nicotine products but particularly vapor products. It shows that, for all the potential risks involved, harm reduction has huge potential to prevent death and disability from tobacco use, and to hasten our progress to a tobacco-free society. Also, the Royal College of Physicians concluded that e-cigarettes, at most, have only 5% of the risk profile of combustible cigarettes. The full report can be found here: <https://www.rcplondon.ac.uk/projects/outputs/nicotine-without-smoke-tobacco-harm-reduction-0>

NICOTINE, CARCINOGEN, AND TOXIN EXPOSURE IN LONG-TERM E-CIGARETTE AND NICOTINE REPLACEMENT THERAPY USERS: A CROSS-SECTIONAL STUDY

Published in the Annals of Internal Medicine, February 2017

A recent study by University College London and King's College, Roswell Park Cancer Institute, and the US Centers for Disease Control and Prevention found that using e-cigarettes is far safer

and less toxic than smoking conventional tobacco cigarettes. The study concluded that long-term NRT-only and e-cigarette-only use is associated with substantially reduced levels of measured carcinogens and toxins relative to smoking only combustible cigarettes. Read the study here: https://www.eurekalert.org/pub_releases/2017-02/cru-est020317.php

Dr Lion Shahab, senior lecturer in the department of epidemiology and public health at UCL, and lead author of the publication, said: "Our study adds to existing evidence showing that e-cigarettes and NRT are far safer than smoking, and suggests that there is a very low risk associated with their long-term use.

"We've shown that the levels of toxic chemicals in the body from e-cigarettes are considerably lower than suggested in previous studies using simulated experiments. This means some doubts about the safety of e-cigarettes may be wrong.

"Our results also suggest that while e-cigarettes are not only safer, the amount of nicotine they provide is not noticeably different to conventional cigarettes. This can help people to stop smoking altogether by dealing with their cravings in a safer way."

<https://www.sciencedaily.com/releases/2017/02/170207104358.htm>

To be sure, even the FDA's Center for Tobacco Products Director Mitch Zeller, a life-long anti-smoking advocate, has clearly and repeatedly stated the potential benefits of e-cigarettes. During a Senate Health, Education, Labor, and Pensions hearing in 2014, Director Zeller stated: "If we could get all those people [who smoke] to completely switch all of their cigarettes to noncombustible cigarettes, it would be good for public health."

Moreover, there is no evidence that vapor products encourage anyone – young or old – to begin smoking. This over-reported and never-proven gateway hypothesis is no basis upon which to base state policy. Even with an increase in e-cigarette experimentation, cigarette smoking rates have plummeted to all-time lows amongst adults and youth. Hence, the gateway hypothesis is belied by the actual facts.

TAX POLICY

Vapor products are the first game-changing technology in the ongoing fight to reduce cigarette smoking. This, Members of the Committee, is why it is imperative that we must PROPERLY regulate vapor products.

For that reason, **Sally Satel, Yale University School of Medicine**¹, has stated: "There is no convincing public health evidence that would justify taxing e-cigarettes at rates similar to those applied to cigarettes."

To be sure, the independent **Tax Foundation** has concluded: "Policymakers should avoid extending punitive rates from traditional cigarettes to vapor products because it limits the

¹ http://www.aei.org/wp-content/uploads/2014/04/-should-ecigarettes-be-taxed_085703182672.pdf

consumer's ability to use vapor products to quit cigarettes...Our first reaction should not be to impose cigarette taxes on what is fundamentally a different product.”

The Tax Foundation

In addition to sound policy reasons, there are important business reasons to reject the proposed tax. The vapor industry in Ohio is primarily made up of small businesses-businesses owned by entrepreneurs who once faced a promising future. However, these small businesses already presently being crushed by burdensome set of new federal regulations. The 69% tax proposed would certainly decimate by the industry.

Ohio Should Avoid Neighboring Pennsylvania's Mistake

40% Wholesale Tax: A Current Case Study in Vapor Tax Policy

In October of 2016, the state of Pennsylvania implemented a 40% wholesale tax on vapor products. This tax has essentially been in effect to date nearly six months. The 40% tax was passed to try to address Pennsylvania's \$31 billion-dollar budget deficit, but was only expected to generate approximately \$13 million in revenue.

Unfortunately for Pennsylvania vapor businesses, and Pennsylvania smokers seeking an alternative to traditional combustible tobacco, the tax has been the equivalent of death sentence for the Pennsylvania vapor industry.

The Pennsylvania vapor industry has had over 25% of its retailers close in the last 6 months. The Pennsylvania Vape Association, an association representing vapor businesses and consumers in Pennsylvania, identified over 100 businesses have closed their doors. In addition, at least 1,000 jobs have been lost due to these businesses closures.

I would ask the committee to please keep in mind that these are the results from the first six months after the tax has been implemented. There are a number of other vapor businesses on the brink of closure because of this regressive tax policy.

Further, this committee has before it a tax proposal that is 29% greater than the 40% wholesale tax implemented in the State of Pennsylvania. Governor Kasich's administration has stated that job creation has been its number one priority. Members of the committee, this proposal would be a jobs killer.

More importantly, this proposal would stifle innovation, and take vapor products out of the ongoing fight to reduce and ultimately eliminate combustible tobacco usage in the State of Ohio and around the country.

For this reason, I ask the committee to remove the 69% vapor tax and \$1000 license fee. Thank you for your time.