

2021 HOUSE FINANCE AND TAXATION

HB 1403

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HB 1403
2/9/2021

A bill relating to an increase in the tax on cigarettes.

Chairman Headland opened the hearing at 9:00am.

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	Y
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Discussion Topics:

- Increasing the tax on cigarettes to 72 mills per cigarette
- Increasing the cost of a pack of cigarettes by \$1.00

Representative Mitskog introduced bill (#6074). A proposed amendment was distributed changing 72 mills to 67 mills (#6075).

Heather Austin, Executive Director for Tobacco Free North Dakota, testified in support (#6007, 6006, 6008, 6009, and 6010).

Tim Blasl, President of the North Dakota Hospital Association, testified in support (#5993).

Courtney Koebele Executive Director of the North Dakota Medical Association, testified in support (#5997).

Marnie Walth, Program Manager for the Health Policy Consortium, testified in support (#6029).

Mike Krumwiede, American Heart Association, testified in support (#6042).

Mike Rud, President of the North Dakota Petroleum Marketers Association, testified in opposition (#6081).

Arik Spencer, President and CEO for the Greater North Dakota Chamber, testified in opposition (no testimony submitted).

Monte Williams, Principal of MW Consulting Group representing Altria testified in opposition (#6016).

Chairman Headland closed the hearing at 10:03am.

Representative Kading made a motion for a Do Not Pass.

Vice Chairman Steiner seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	N
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	N
Representative Patrick Hatlestad	Y
Representative Zachary Ista	N
Representative Tom Kading	Y
Representative Ben Koppelman	AB
Representative Marvin E. Nelson	N
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Motion carried 9-4-1

Representative Ertelt is the bill carrier.

Additional written testimony:

Sara Mannerter, American Cancer Society Cancer Action Network, testimony in favor (#5983).

Chairman Headland closed discussion at 11:36am.

Mary Brucker, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1403: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1403 was placed on the Eleventh order on the calendar.

House Finance and Taxation Committee**HB 1403****Rep. Alisa Mitskog****February 9, 2021**

Chairman Headland and Members of the House Finance and Tax Committee Members:

My name is Rep. Alisa Mitskog, I represent District 25-Wahpeton.

HB 1403 is a bill that proposes to raise the tax on cigarettes by \$1.00.

After researching the mill to dollar per pack of cigarette conversion, we've learned that HB 1403 would raise the cigarette tax on a pack of cigarettes by \$1.10 (not \$1.00). This is because the tax code provides separate mill based cigarette taxes. (A mill equals one tenth of a cent). I am offering an amendment that would raise the tax 1.00 per pack of cigarettes, which was the intent of the bill.

My main reason for the proposed increase in taxation is the health impact and associated costs of smoking. North Dakota spends approximately \$326 million annually on healthcare expenditures for tobacco related illness, costs our citizens incur, along with approximately \$229 million in lost productivity related to tobacco use in ND. Each ND household absorbs over \$700 per year directly in taxes related to these costs. Included in these costs are clinic visits, hospital charges, prescription drugs, nursing homes, and neonatal care. In addition, work productivity is also directly impacted.

In the United States, smoking-related illness costs more than \$300 billion each year, including: Nearly \$170 billion for direct medical care for adults. More than \$156 billion in lost productivity, including \$5.6 billion in lost productivity due to secondhand smoke exposure. Smoking just five cigarettes a day doubles your risk of dying from heart disease.

North Dakota ranks 49th in the nation for tobacco tax at \$0.44 per pack (we were 8th in 1993 when this rate was enacted). North Dakota's neighbors all have higher tobacco taxes.

South Dakota = \$1.53, Montana = \$1.70, Minnesota = \$3.04)

Current tax per pack: 22 mills x \$0.001 x 20 cigarettes = \$0.44/pack

A \$1.00 increase per pack: 72 mills x \$0.001 x 20 cigarettes = \$1.44/pack

The Tax Department estimated the fiscal impact of the \$1.00 per pack increase to be 60.1 million during the 2021-23 biennium.

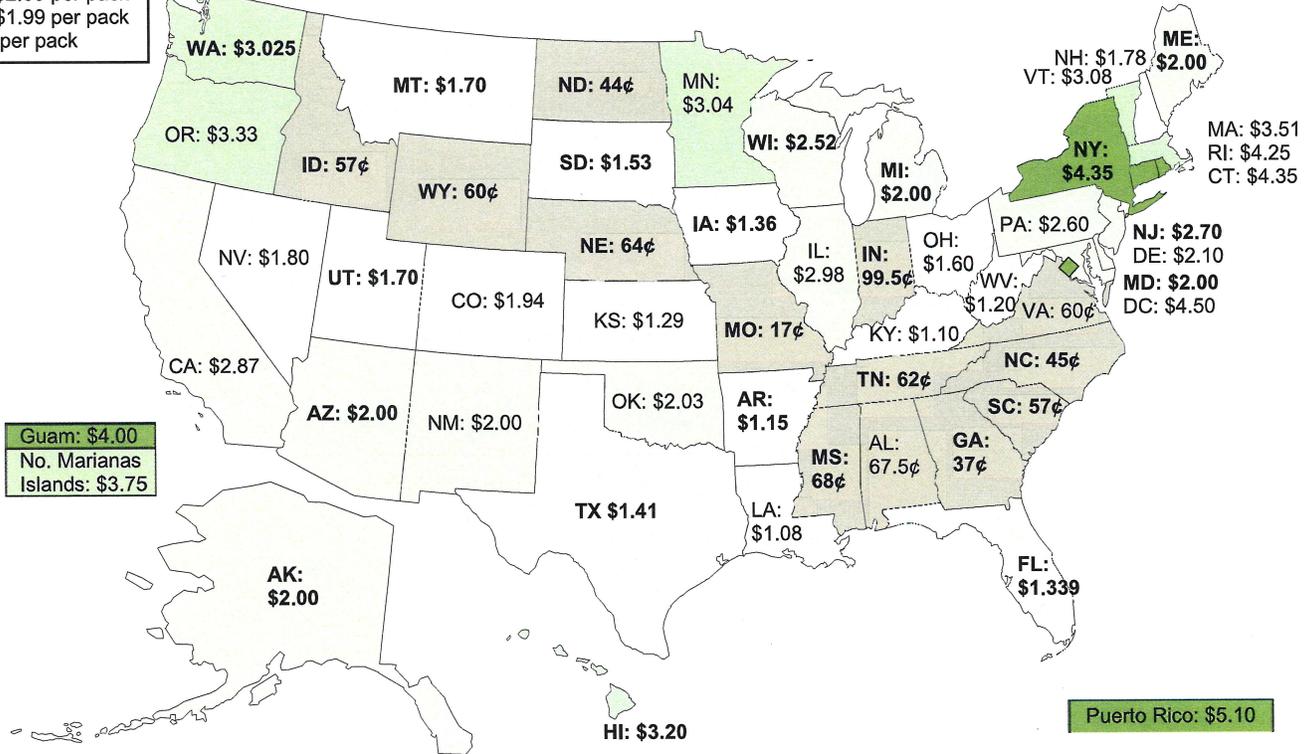
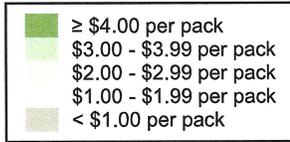
HB 1403 is a bill that will help our state recoup some of the money that it spends on healthcare. I would ask the committee to seriously consider an increase in the tobacco tax.

1. NDQuits Cost Benefit Analysis | Professional Data Analysts, Inc. | August 2018 2. U.S. Department of Health and Human Services. The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General. Atlanta: 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 [accessed 2018 Mar 22].
2. <https://tobaccofreekids.org/fact-sheets/tobacco-control-policies/tobacco-taxes>.



MAP OF STATE CIGARETTE TAX RATES

Average State Cigarette Tax: \$1.88 per Pack



Map shows state cigarette tax rates and state average effective January 1, 2021 (CO and OR on 1/1/2021). The states in bold have not increased their tax for at least 10 years (since 2011 or earlier). Currently, 37 states, DC, Puerto Rico, Northern Mariana Islands, and Guam have cigarette tax rates of \$1.00 per pack or higher; 22 states, DC, Puerto Rico, Northern Mariana Islands, and Guam have cigarette tax rates of \$2.00 per pack or higher; nine states, DC, Puerto Rico, Northern Mariana Islands, and Guam have cigarette tax rates of \$3.00 per pack or higher; three states, DC, Puerto Rico, and Guam have cigarette tax rates of \$4.00 per pack or higher; and Puerto Rico has a cigarette tax rate higher than \$5.00. The state average listed above does not include any of the U.S. territories. Federal cigarette tax is \$1.01 per pack. Not shown are the special taxes or fees some states place on cigarettes made by Non-Participating Manufacturers (NPMs), the companies that have not joined the Master Settlement Agreement (MSA) between the states and the major cigarette companies. Some local governments also have their own cigarette taxes, such as Chicago (\$1.18), Cook County, IL (\$3.00), New York City (\$1.50), Philadelphia (\$2.00), Aspen, CO (\$3.20), Eagle County, CO (\$4.00), and Juneau, AK (\$3.00). Nationally, estimated smoking-caused health costs and lost productivity totals \$19.16 per pack.

Campaign for Tobacco-Free Kids, December 7, 2020 / Ann Boonn

For more information on state cigarette taxes and the benefits from increasing them, see <https://tobaccofreekids.org/fact-sheets/tobacco-control-policies/tobacco-taxes>.

21.0382.01001
Title.

Prepared by the Legislative Council staff for
Representative Mitskog
February 8, 2021

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1403

Page 1, line 10, replace "seventy-two" with "sixty-seven"

Renumber accordingly



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February 9, 2021

9:00 am CST

House Finance and Taxation Committee for the 67th ND Legislative Assembly

Chairman Headland, and members of the House Finance and Taxation Committee, hello, my name is Heather Austin, and I am the Executive Director for Tobacco Free North Dakota. The mission of Tobacco Free North Dakota is to improve and protect the public health of all North Dakotans by reducing the serious health and economic consequences of tobacco use, the state's number one cause of preventable disease and death. Thank you so much for your time this morning.

Today I am here to show support for HB 1403 and HB 1422, or the bills to increase the tax on cigarettes and other forms of tobacco.

This year North Dakota observes the 28th anniversary of the last time we raised the price of tobacco in our state. In 1993, the tax rate was set at 44 cents per pack of cigarettes, making us 8th in the nation for tobacco tax rate. In the 28 years since that time, ND has gone from 8th to 49th for tobacco tax rate in our nation, with the same 44 cents still being collected. Not much else has held steady in that same amount of time. The tobacco industry has increased their wholesale prices numerous times, the federal tax rate has increased substantially, retail prices have increased, perhaps even more importantly, medical costs and insurance premiums have increased, and detriments of lost productivity and wages have increased. I could go on and on, as nearly nothing is the same price it was 28 years ago. We simply have not kept pace, or parity, in North Dakota when it comes to the cost of tobacco. And now is the time to correct that.

We applaud the efforts of the two bills before this Committee this morning and TFND highly recommends raising the price of tobacco by at least \$1.00, all at once, to see maximum health benefits realized and to see youth deterrence to tobacco initiation in our state. Smaller, or incremental, increases are too easy for the tobacco industry to "coupon" away so that consumer, and particularly youth, behavior is not as affected. I have included a data sheet showing what a \$1.50 increase would create in benefits to North Dakota, as an example of what a substantial increase could accomplish.

According to the Dept. of Health Tobacco Surveillance Data Table in 2017 for North Dakota, tobacco use cost our state \$326 million in Smoking Attributable Medical Expenditures, and \$232.6 million in Smoking Attributable Productivity Loss. That is over ½ a BILLION dollars annually in smoking related expenses to the state of North Dakota! Raising the excise tax for tobacco could help offset some of these costs, as well as provide a source of income for other health programs and services provided to our citizens.

The Surgeon General has called raising prices on cigarettes "one of the most effective tobacco control interventions." i. Tobacco tax increases help make cigarettes too expensive for price-sensitive kids to

buy and give smokers another incentive to quit. And I'm happy to point out that North Dakota has one of the best Quitlines in the nation with NDQuits. They are standing ready to help make sure no citizen actually has to continue paying the price of tobacco with their money or their health. The 2014 Surgeon General's report stated, "The evidence is sufficient to conclude that increases in the prices of tobacco products, including those resulting from excise tax increases, prevent initiation of tobacco use, promote cessation, and reduce the prevalence and intensity of tobacco use among youth and adults."ii.

The following organizations have signed TFND's resolution of support for a tobacco price increase: Cavalier County Memorial Hospital, Cavalier County Board of Health, Grand Forks Tobacco Free Coalition, ND Public Health Association, Pembina County Board of Health, Pembina County Commission, Pembina County Memorial Hospital Association, McKenzie County Community Coalition, Rolette County Public Health District, Southwestern District Health Unit, University of Mary Health PRO, Upper Missouri District Health Unit, Walsh County Tobacco Free Coalition, and Williams County Community Coalition.

Again, thank you for this time in front of you, Chairman Headland, and the Committee. It is very appreciated. Please vote Do Pass on HB 1403 and/or HB 1422.

May I take any questions?

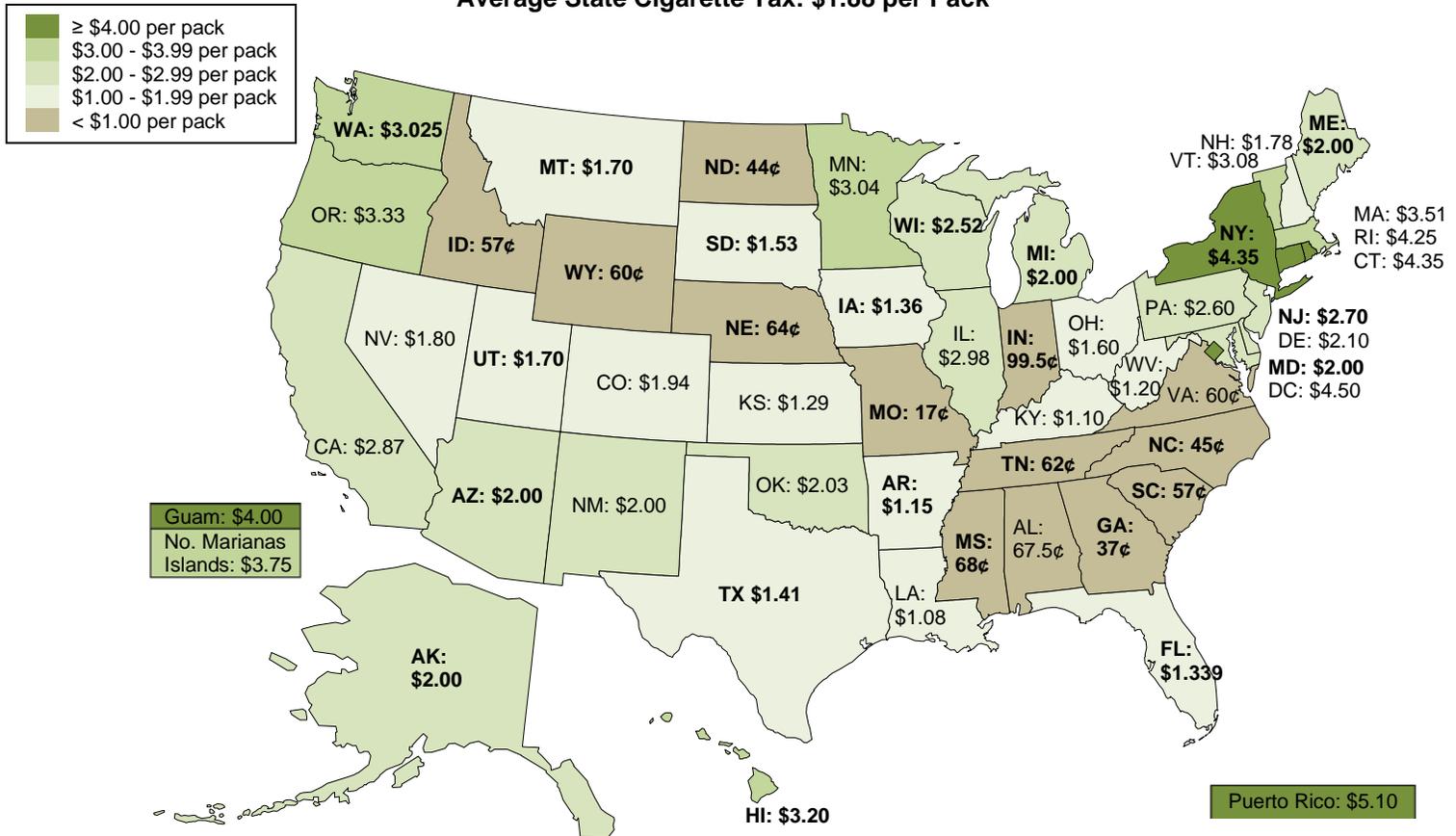
Heather Austin
Executive Director, Tobacco Free North Dakota
Cell: 701-527-2811
heather@tfnd.org
www.tfnd.org

- i. U.S. Department of Health and Human Services (HHS), 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 (CDC), National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014. <http://www.surgeongeneral.gov/library/reports/50-yearsof-progress/index.html>.
- ii. HHS, The Health Consequences of Smoking: 50 Years of Progress. A Report of the Surgeon General, 2014, <http://www.surgeongeneral.gov/library/reports/50-years-of-progress/index.html>.



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Campaign for Tobacco-Free Kids, December 7, 2020 / Ann Boonn

For more information on state cigarette taxes and the benefits from increasing them, see <https://tobaccofreekids.org/fact-sheets/tobacco-control-policies/tobacco-taxes>.



Resolution to Raise North Dakota's Tobacco Tax

Adopted by Tobacco Free North Dakota Board of Directors on October 2, 2020

Whereas according to the 2014 US Surgeon General's Report, increasing tobacco excise taxes have proven highly effective in preventing initiation among youth, reducing tobacco use by promoting cessation among current users, discouraging relapse among former users, and reducing consumption among those who continue to use tobacco; and

Whereas tobacco use remains North Dakota's leading preventable cause of death, killing more people than alcohol, AIDS, car crashes, illegal drugs, murders, and suicides combined; and

Whereas 8.3% of youth in North Dakota use cigarettes, and 200 North Dakota children (under 18) become new daily smokers each year, of whom more than 14,000 will die prematurely because of this addiction; and

Whereas 33.1% of youth in North Dakota use electronic nicotine delivery systems (ENDS), otherwise known as e-cigarettes, of whom many will develop a lifelong addiction to nicotine/tobacco products, resulting in the health costs related to such; and

Whereas ENDS have little to no regulation around content, flavorings, and marketing appealing to youth, and stealth-use products and tactics advertised to youth; and

Whereas ENDS are not currently classified as tobacco products in North Dakota even though they deliver nicotine in the same way for the same purpose as other tobacco products; and

Whereas ENDS are not currently approved by the FDA as a cessation device, and

Whereas 19.8% (115,100) of adults in North Dakota smoke and nearly 1,000 North Dakotans will die each year from smoking and smoking-related disease, including 27% of cancer deaths in ND that are attributed to tobacco use; and

Whereas tobacco use in North Dakota imposes economic burden, with smoking-caused direct healthcare costs amounting to \$326 million each year, smoking-caused productivity losses approximating \$232.6 million annually, and each household paying \$768 per year in state and federal taxes from smoking-caused government expenditures; and

Whereas each year, the North Dakota government Medicaid payments directly related to tobacco use are \$56.9 million; and

Whereas the current cigarette tax of \$0.44 per pack, pipe tobacco and cigar tax at 28% of the

wholesale purchase price, and snuff tax at \$0.60 per ounce, ranking North Dakota one of the four cheapest tobacco states in the nation³ is dangerous to our state’s citizens; and

Whereas the legislative body in North Dakota has not enacted legislation to increase our state’s tobacco taxes since 1993; and defeated legislation as recently as 2015; and

Whereas the Tobacco Industry spends \$38.2 million each year marketing in ND; and

Whereas this resolution addresses commercial tobacco, which is different from traditional tobacco used in American Indian spiritual and ceremonial practices;

Now therefore be it resolved, _____ supports increasing the tobacco tax in North Dakota as a proven way to prevent youth tobacco initiation, encourage a reduction of adult tobacco use, reduce health care costs, and provide an overall benefit to public health. Further, _____ endorses the 2021 legislative effort to reform North Dakota’s tax on all tobacco products by a proportional amount, and to include classifying ENDS as tobacco products so they are taxed as such.

_____	_____	_____
Name of Organization Representative	Signature of Organization Representative	Date

2014 Surgeon General’s Report on Smoking and Health <https://www.surgeongeneral.gov/library/reports/50-years-of-progress/50-years-of-progress-bysection.html>

ii The Toll of Tobacco in the United States, Campaign for Tobacco Free Kids <https://www.tobaccofreekids.org/problem/toll-us>

iii Campaign for Tobacco-Free Kids, Key State-Specific Tobacco Data and Rankings June 7, 2018 <https://www.tobaccofreekids.org/assets/factsheets/0176.pdf>

iv High School Youth Behavior Risk Survey North Dakota 2015 and United States 2015 Results <https://nccd.cdc.gov/youthonline/App/Results.aspx?TT=G&OUT=0&SID=HS&QID=QQ&LID=ND&YID=2015&LID2=XX&YID2=2015&COL=&ROW1=&ROW2=&HT=QQ&LCT=&FS=S1&FR=R1&FG=G1&FSL=&FRL=&FGL=&PV=&C1=ND2015&C2=XX2015&QP=G&DP=1&VA=CI&CS=N&SYID=&EYID=&SC=DEFAULT&SO=ASC&pf=1&TST=True>

v President’s Cancer Panel’s 2007 report, Promoting Healthy Lifestyles, <http://archive.tobacco.org/news/251230.html>

vi The Toll of Tobacco in North Dakota, Campaign for Tobacco Free Kids https://www.tobaccofreekids.org/problem/toll-us/north_dakota

vii ND Office of the State Tax Commissioner



KEY STATE-SPECIFIC TOBACCO-RELATED DATA & RANKINGS

State	Adult Smoking Rate	Adult Smoking Rank (1=low)	Pregnant Smoking Rate [€]	Youth Smoking Rate	New Youth Smokers Per Year	Annual Adult Smoking Deaths (approx.)	Kids Now Alive Who Will Become Smokers	Kids Now Alive Who Will Die From Smoking	Smoking Caused Health Costs (millions)	Cigarette Tax (per pack)	Cigarette Tax Rank (1 = high)	FY 2021 Funding for State TC Programs (millions)	Tobacco Prevention Spending % of CDC Target
All States	14.0%	///	7.2%	4.6%	86,000	480,000	17+ mill.	5.6 mill.	\$170 bill.	\$1.88	///	\$656.0	19.8%
Alabama	20.3%	45th	10.1%	7.1%	1,600	8,600	336,200	108,000	\$1.88 bill.	\$0.675	41st	\$1.5	2.7%
Alaska	17.4%	33rd	11.5%	8.4%	200	600	43,600	14,000	\$438	\$2.00	18th	\$9.1	89.7%
Arizona	14.9%	19th	4.8%	5.3%	1,700	8,300	359,800	115,000	\$2.38 bill.	\$2.00	18th	\$18.5	28.7%
Arkansas	20.2%	44th	13.9%	9.7%	1,000	5,800	214,700	69,000	\$1.21 bill.	\$1.15	36th	\$10.8	29.5%
California	10.0%	2nd	1.6%	2.0%	6,800	40,000	1,376,800	441,000	\$13.29 bill.	\$2.87	12th	\$233.1	67.0%
Colorado	13.5%	11th	6.2%	5.7%	1,400	5,100	283,200	91,000	\$1.89 bill.	\$1.94	24th	\$20.0	37.8%
Connecticut	12.1%	3rd	4.9%	3.7%	800	4,900	175,400	56,000	\$2.03 bill.	\$4.35	2nd	\$0.0	0.0%
Delaware	15.9%	24th	9.1%	6.2%	200	1,400	53,700	17,000	\$532	\$2.10	16th	\$7.1	54.5%
DC	12.7%	6th	2.6%	5.3%	100	800	22,300	7,000	\$391	\$4.50	1st	\$1.9	17.8%
Florida	14.8%	18th	5.1%	2.1%	4,100	32,300	844,500	270,000	\$8.64 bill.	\$1.339	33rd	\$73.4	37.8%
Georgia	16.3%	28th	5.3%	4.0%	3,100	11,700	637,500	204,000	\$3.18 bill.	\$0.37	50th	\$0.8	0.7%
Hawaii	12.3%	5th	3.6%	5.3%	300	1,400	67,000	21,000	\$526	\$3.20	7th	\$7.9	57.8%
Idaho	15.3%	21st	8.7%	5.3%	400	1,800	94,300	30,000	\$508	\$0.57	46th	\$3.6	23.3%
Illinois	14.5%	13th	6.4%	4.7%	3,500	18,300	720,100	230,000	\$5.49 bill.	\$2.98	11th	\$15.1	11.0%
Indiana	19.2%	41st	13.5%	5.2%	2,300	11,100	471,100	151,000	\$2.93 bill.	\$0.995	39th	\$7.5	10.2%
Iowa	16.4%	29th	12.9%	6.7%	800	5,100	172,100	55,000	\$1.28 bill.	\$1.36	32nd	\$4.0	13.4%
Kansas	16.2%	27th	10.2%	5.8%	900	4,400	191,200	61,000	\$1.12 bill.	\$1.29	34th	\$1.0	3.6%
Kentucky	23.6%	49th	18.4%	8.9%	1,800	8,900	371,700	119,000	\$1.92 bill.	\$1.10	37th	\$2.0	3.5%
Louisiana	21.9%	48th	6.8%	8.4%	1,500	7,200	307,400	98,000	\$1.89 bill.	\$1.08	38th	\$5.2	8.8%
Maine	17.6%	34th	14.1%	6.8%	400	2,400	84,300	27,000	\$811	\$2.00	18th	\$13.9	87.4%
Maryland	12.7%	6th	5.9%	5.0%	1,400	7,500	288,900	92,000	\$2.71 bill.	\$2.00	18th	\$10.8	22.6%
Massachusetts	12.1%	3rd	5.2%	5.0%	1,500	9,300	322,300	103,000	\$4.08 bill.	\$3.51	5th	\$5.1	7.7%
Michigan	18.7%	39th	11.7%	4.5%	3,200	16,200	666,500	213,000	\$4.59 bill.	\$2.00	18th	\$1.8	1.7%
Minnesota	14.6%	15th	8.9%	9.6%	1,500	5,900	319,000	102,000	\$2.51 bill.	\$3.04	9th	\$12.4	23.5%
Mississippi	20.4%	46th	10.0%	6.6%	1,000	5,400	213,900	68,000	\$1.23 bill.	\$0.68	40th	\$8.7	23.8%
Missouri	19.6%	42nd	15.3%	6.5%	1,900	11,000	398,600	128,000	\$3.03 bill.	\$0.17	51st	\$0.2	0.2%
Montana	16.6%	30th	16.5%	7.7%	200	1,600	59,000	19,000	\$440	\$1.70	27th	\$4.9	33.2%

State	Adult Smoking Rate	Adult Smoking Rank (1=low)	Pregnant Smoking Rate [€]	Youth Smoking Rate	New Youth Smokers Per Year	Annual Adult Smoking Deaths (approx.)	Kids Now Alive Who Will Become Smokers	Kids Now Alive Who Will Die From Smoking	Smoking Caused Health Costs (millions)	Cigarette Tax (per pack)	Cigarette Tax Rank (1 = high)	FY 2021 Funding for State TC Programs (millions)	Tobacco Prevention Spending % of CDC Target
Nebraska	14.7%	16th	9.8%	4.2%	500	2,500	118,600	38,000	\$795	\$0.64	42nd	\$2.6	12.4%
Nevada	15.7%	23rd	4.0%	3.6%	600	4,100	128,700	41,000	\$1.08 bill.	\$1.80	25th	\$3.5	11.5%
N. Hampshire	15.9%	24th	11.1%	5.5%	300	1,900	67,900	22,000	\$729	\$1.78	26th	\$0.4	2.2%
New Jersey	13.1%	*	3.9%	3.8%	2,200	11,800	445,800	143,000	\$4.06 bill.	\$2.70	13th	\$7.8	7.6%
New Mexico	16.0%	26th	6.5%	8.9%	600	2,600	124,500	40,000	\$844	\$2.00	18th	\$5.5	24.2%
New York	12.7%	6th	4.8%	4.8%	4,300	28,200	873,900	280,000	\$10.39 bill.	\$4.35	2nd	\$39.8	19.6%
North Carolina	18.5%	38th	8.9%	8.3%	2,700	14,200	562,500	180,000	\$3.81 bill.	\$0.45	48th	\$1.9	1.9%
North Dakota	17.0%	31st	12.0%	8.3%	200	1,000	43,400	14,000	\$326	\$0.44	49th	\$5.4	55.5%
Ohio	20.8%	47th	14.4%	4.9%	4,000	20,200	809,800	259,000	\$5.64 bill.	\$1.60	29th	\$12.3	9.3%
Oklahoma	18.9%	40th	11.7%	9.1%	1,300	7,500	275,600	88,000	\$1.62 bill.	\$2.03	17th	\$21.7	51.2%
Oregon	14.5%	13th	9.5%	4.5%	1,000	5,500	213,400	68,000	\$1.54 bill.	\$3.33	6th	\$9.4	23.9%
Pennsylvania	17.3%	32nd	11.5%	6.6%	3,700	22,000	761,500	244,000	\$6.38 bill.	\$2.60	14th	\$14.7	10.5%
Rhode Island	13.3%	10th	7.4%	4.2%	200	1,800	48,700	16,000	\$640	\$4.25	4th	\$0.4	3.1%
South Carolina	17.6%	34th	9.1%	5.9%	1,500	7,200	322,900	103,000	\$1.90 bill.	\$0.57	46th	\$5.0	9.8%
South Dakota	18.3%	36th	13.6%	12.0%	300	1,300	65,700	21,000	\$373	\$1.53	30th	\$4.5	38.5%
Tennessee	19.9%	43rd	13.4%	7.1%	1,900	11,400	391,400	125,000	\$2.67 bill.	\$0.62	43rd	\$0.0	0.0%
Texas	14.7%	16th	3.3%	4.9%	7,700	28,000	1,557,800	498,000	\$8.85 bill.	\$1.41	31st	\$4.2	1.6%
Utah	7.9%	1st	3.0%	2.2%	500	1,300	120,800	39,000	\$542	\$1.70	27th	\$15.3	79.4%
Vermont	15.1%	20th	15.5%	6.9%	100	1,000	31,500	10,000	\$348	\$3.08	8th	\$2.7	32.0%
Virginia	14.0%	12th	6.2%	5.5%	2,300	10,300	469,800	150,000	\$3.11 bill.	\$0.60	44th	\$8.3	9.1%
Washington	12.7%	6th	6.9%	5.0%	1,600	8,300	324,900	104,000	\$2.81 bill.	\$3.025	10th	\$2.1	3.4%
West Virginia	23.8%	50th	25.1%	13.5%	700	4,300	147,900	47,000	\$1.00 bill.	\$1.20	35th	\$0.4	1.6%
Wisconsin	15.4%	22nd	11.3%	4.7%	1,600	7,900	332,000	106,000	\$2.66 bill.	\$2.52	15th	\$5.3	9.2%
Wyoming	18.4%	37th	14.6%	15.7%	100	800	37,800	12,000	\$258	\$0.60	44th	\$2.4	27.7%

*New Jersey not included in adult smoking rate ranking because data is from a different year.

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Pregnancy and Smoking Data. National and state data from CDC, "Cigarette Smoking During Pregnancy: United States, 2016." *NCHS Data Brief*, 305, February 2018, <https://www.cdc.gov/nchs/data/databriefs/db305.pdf>.

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New Regular Daily Smokers Each Year. Estimate based on U.S. Dept of Health & Human Services (HHS), Substance Abuse and Mental Health Services Administration (SAMHSA), HHS, *Results from the 2019 National Survey on Drug Use and Health, NSDUH: Detailed Tables*, 2019, <https://www.samhsa.gov/data/report/2019-nsduh-detailed-tables>. State-specific numbers based on each state's share of the national number.

Smoking-Caused Deaths. Includes deaths caused by cigarette smoking but not deaths caused by other forms of combustible tobacco or smokeless tobacco products, which are expected to be in the thousands per year. National data includes deaths attributable to exposure to secondhand smoke; state-specific data do not. HHS, *The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General*, 2014, <http://www.surgeongeneral.gov/library/reports/50-years-of-progress>. State estimates of smoking-attributable deaths: CDC, *Best Practices for Comprehensive Tobacco Control Programs—2014*, http://www.cdc.gov/tobacco/stateandcommunity/best_practices/. **Projected youth smoking deaths.** HHS, *The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General*, 2014, <http://www.surgeongeneral.gov/library/reports/50-years-of-progress>.

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Smoking-Caused Health Care Costs. CDC, *Best Practices for Comprehensive Tobacco Control Programs—2014*, http://www.cdc.gov/tobacco/stateandcommunity/best_practices/. See also Xu, X., et al., "Annual Healthcare Spending Attributable to Cigarette Smoking: An Update," *Am J Prev Med*, 2014. State estimates in 2009 dollars; national estimate in 2010 dollars. Health costs do not include estimated annual costs from lost productivity due to premature death and exposure to secondhand smoke. For other non-health care smoking-caused costs, see, e.g., U.S. Department of the Treasury, *The Economic Costs of Smoking in the U.S. and the Benefits of Comprehensive Tobacco Legislation*, 1998; Chaloupka, FJ & Warner, KE, "The Economics of Smoking," in Culyer, A & Newhouse, J (eds), *The Handbook of Health Economics*, 2000; Leistikow, BN, et al., "Estimates of Smoking-Attributable Deaths at Ages 15-54, Motherless or Fatherless Youths, and Resulting Social Security Costs in the United States in 1994," *Preventive Medicine* 30:353-60, 2000.

State Cigarette Tax Rates. Tax rates and state average in effect as of 1/1/2021. Orzechowski & Walker, *Tax Burden on Tobacco*, 2019 [annual report funded by the three major cigarette companies] with updates from media reports, state revenue offices. Tax rates shown in **bold** have not been increased for at least 10 years (since 2011 or earlier). "All states" is the state tax average.

State Spending to Prevent and Reduce Tobacco Use. Campaign for Tobacco-Free Kids, et al., *Broken Promises to Our Children: A State-by-State Look at the 1998 State Tobacco Settlement 22 Years Later*, January 15, 2021, <http://tfk.org/statereport>. CDC recommendations for the amounts states should spend to prevent and reduce tobacco use from CDC, *Best Practices for Comprehensive Tobacco Control—2014*, http://www.cdc.gov/tobacco/stateandcommunity/best_practices/.



NEW REVENUES, PUBLIC HEALTH BENEFITS & COST SAVINGS FROM A \$1.50 CIGARETTE TAX INCREASE IN NORTH DAKOTA

- The current state cigarette tax is \$0.44 per pack (48th among all states and DC).
- Annual health care expenditures in North Dakota directly caused by tobacco use are \$326 million.

Projected New Annual Revenue from Increasing the Cigarette Tax by \$1.50 Per Pack: \$41.79 million

New Annual Revenue is the amount of additional new revenue the first full year the tax increase is in effect. The state will collect less new revenue if it fails to apply the rate increase to all cigarettes and other tobacco products held in wholesaler and retailer inventories on the effective date.

Projected Public Health Benefits for North Dakota from the Cigarette Tax Rate Increase	
Percent decrease in youth (under age 18) smoking:	15.4%
Youth under age 18 kept from becoming adult smokers:	2,800
Reduction in young adult (18-24 years old) smokers:	600
Current adult smokers who would quit:	4,800
Premature smoking-caused deaths prevented:	2,000
5-Year reduction in the number of smoking-affected pregnancies and births:	500
5-Year health care cost savings from fewer smoking-caused lung cancer cases:	\$930,000
5-Year health care cost savings from fewer smoking-affected pregnancies and births:	\$1.52 million
5-Year health care cost savings from fewer smoking-caused heart attacks & strokes:	\$1.66 million
5-Year Medicaid program savings for the state:	\$690,000
Long-term health care cost savings from adult & youth smoking declines:	\$159.50 million

1.06.20 ACS CAN / April 1, 2020

- Small tax increase amounts do not produce significant public health benefits or cost savings because the cigarette companies can easily offset the beneficial impact of such small increases with temporary price cuts, coupons, and other promotional discounting. Splitting a tax rate increase into separate, smaller increases in successive years will similarly diminish or eliminate the public health benefits and related cost savings (as well as reduce the amount of new revenue).
- Raising state tax rates on other tobacco products (OTPs), including e-cigarettes, to parallel the increased cigarette tax rate will bring the state additional revenue, public health benefits, and cost savings (and promote tax equity). With unequal rates, the state loses revenue each time a cigarette smoker switches to other tobacco products taxed at a lower rate. To parallel the new \$1.94 per pack cigarette tax, the state's new OTP tax rate should be 40% of the wholesale price with minimum tax rates for each major OTP category linked to the state cigarette tax rate on a per-package or per-dose basis.

Explanations & Notes

Health care costs listed at the top of the page are from the U.S. Centers for Disease Control and Prevention (CDC). Annual health care expenditures in North Dakota directly caused by tobacco use are in 2009 dollars and are from the CDC's 2014 *Best Practices for Comprehensive Tobacco Control Programs*.

Projections are based on research findings that nationally, each 10% increase in the retail price of cigarettes reduces youth smoking by 6.5%, young adult prevalence by 3.25%, adult prevalence by 2%, and total cigarette consumption by about 4% (adjusted down to account for tax evasion effects). However, the impact of the tax increase varies from state-to-state, based on the starting pack price. Significant tax increases generate new revenues because the higher tax rate per pack brings in more new revenue than is lost from the tax-related drop in total pack sales.

The projections also incorporate the effect of ongoing background smoking declines, population distribution, and the continued impact of any recent state cigarette tax increases or other changes in cigarette tax policies on prices, smoking levels, and pack sales.

These projections are fiscally conservative because they include a generous adjustment for lost state pack sales (and lower net new revenues) from possible new smuggling and tax evasion after the rate increase and from fewer sales to smokers or smugglers from other states, including sales on tribal lands. For ways that the state can protect and increase its tobacco tax revenues and prevent and reduce contraband trafficking and other tobacco tax evasion, see the Campaign for Tobacco-Free Kids (CTFK) factsheet, *State Options to Prevent and Reduce Cigarette Smuggling and to Block Other Illegal State Tobacco Tax Evasion*, <https://www.tobaccofreekids.org/assets/factsheets/0274.pdf>.

Projected numbers of youth prevented from smoking and dying are based on all youth ages 17 and under alive today. Projected reduction in young adult smokers refers to young adults ages 18-24 who would not start smoking or would quit as a result of the tax increase. Savings to state Medicaid programs include estimated changes in enrollment resulting from federal laws in effect as of January 1, 2020 and state decisions regarding Medicaid expansion. Long-term cost savings accrue over the lifetimes of persons who stop smoking or never start because of the tax rate increase. All cost savings are in 2020 dollars.

Projections for cigarette tax increases much higher than \$1.00 per pack are limited, especially for states with relatively low current tax rates, because of the lack of research on the effects of larger cigarette tax increase amounts on consumption and prevalence. Projections for cigarette tax increases much lower than \$1.00 per pack are also limited because small tax increases are unlikely to produce significant public health benefits.

Ongoing reductions in state smoking rates will, over time, gradually erode state cigarette tax revenues, in the absence of any new rate increases. However, those declines are more predictable and less volatile than many other state revenue sources, such as state income tax or corporate tax revenues, which can drop sharply during recessions. In addition, the smoking declines that reduce tobacco tax revenues will simultaneously produce much larger reductions in government and private sector smoking-caused health care and other costs over time. See the CTFK factsheet, *Tobacco Tax Increases are a Reliable Source of Substantial New State Revenue*, <https://www.tobaccofreekids.org/assets/factsheets/0303.pdf>.

The projections in the table on this fact sheet were generated using an economic model developed jointly by the Campaign for Tobacco-Free Kids and the American Cancer Society Cancer Action Network and are updated annually. The projections are based on economic modeling by researchers with Tobacconomics: Frank Chaloupka, Ph.D., and John Tauras, Ph.D., at the Institute for Health Research and Policy at the University of Illinois at Chicago, and Jidong Huang, Ph.D., and Michael Pesko, Ph.D., at Georgia State University. The state Medicaid cost savings projections, when available, are based on enrollment and cost estimates by Matt Broaddus at the Center on Budget and Policy Priorities using data from the Centers for Medicare and Medicaid Services.

For other ways states can increase revenues (and promote public health) beyond just raising cigarette tax rates, see the CTFK factsheet, *The Many Ways States Can Raise Revenue While Also Reducing Tobacco Use and Its Many Harms & Costs*, <https://www.tobaccofreekids.org/assets/factsheets/0357.pdf>.

Additional information and resources to support tobacco tax increases are available at:

<https://www.tobaccofreekids.org/what-we-do/us/state-tobacco-taxes/fact-sheets>

<http://acscan.org/tobacco/taxes/>

<http://tobacconomics.org/>

For more on sources and calculations, see <https://www.tobaccofreekids.org/assets/factsheets/0281.pdf> or <https://www.fightcancer.org/policy-resources/state-tobacco-tax-increases-explanations-and-sources-projections-new-revenues>.

Ann Boonn, Campaign for Tobacco-Free Kids
Frank J. Chaloupka, Tobacconomics
Katie McMahon, American Cancer Society Cancer Action Network



2021 HB 1403
House Finance and Taxation Committee
Representative Craig Headland, Chairman
February 9, 2021

Chairman Headland and members of the House Finance and Taxation Committee, I am Tim Blasl, President of the North Dakota Hospital Association (NDHA). I am here to testify in support of House Bill 1403. I ask that you give this bill a **Do Pass** recommendation.

Hospitals support this bill because raising tobacco taxes is one of the most effective ways to reduce tobacco use and prevent kids from beginning a deadly addiction. Tobacco use remains a leading risk factor for conditions that lead to heart disease, cancer, lung disease, kidney disease and many other health complications.

Tobacco tax increases are proven to reduce smoking, save lives, and prevent tobacco-related disease. Every ten percent increase in the price of cigarettes reduces consumption by about four percent among adults and about seven percent among youth. This bill will increase the tax on cigarettes from 17 mills to 72 mills on each cigarette sold in the state. Such a tobacco tax increase is a win-win-win. It encourages smokers to quit, prevents kids from beginning while reducing healthcare costs.

Significantly increasing tobacco tax is one of the most effective ways to reduce tobacco use, especially among youth. Doing so can eliminate the death and disease caused by tobacco use. NDHA strongly supports this effort to increase the tax on cigarettes to keep kids from starting to smoke, help adults to quit, and provide funding for much-needed health programs.

Please give the bill a Do Pass recommendation. I would be happy to respond to any questions you may have. Thank you.

Respectfully Submitted,

Tim Blasl, President
North Dakota Hospital Association



House Finance and Taxation Committee
HB 1403
February 9, 2021

Chairman Headland and Committee Members, I am Courtney Koebele and I serve as Executive Director for the North Dakota Medical Association. The North Dakota Medical Association is the professional membership organization for North Dakota physicians, residents, and medical students.

The North Dakota Medical Association is in support of HB 1403, increasing the state's cigarette tax. At its 2013 annual meeting, NDMA adopted a resolution supporting legislative action to raise North Dakota's tobacco tax as a proven way to prevent youth tobacco initiation, encourage a reduction of adult tobacco use, reduce health care costs, and provide an overall benefit to public health.

Physicians carry the burden of trying to prevent and reduce tobacco use by counseling young patients not to start and supporting patients who have already started in their attempts to quit. Yet, they cannot do it alone. Increasing tobacco taxes is one of the leading recommendations for states to use in preventing and treating tobacco addiction.

Smoking is still the leading cause of preventable disease in the United States and North Dakota. According to the Centers for Disease Control and Prevention, smoking accounts for 20 percent of all deaths. In North Dakota, roughly 1,000 people die each year from smoking related illnesses which carries with it a healthcare cost burden of \$326 million each year.

Research shows that higher prices result in increased quit attempts and decreases the number of youth who start smoking.

Increasing the cigarette tax results in a win-win situation for North Dakota by encouraging smokers to quit and preventing kids from ever starting. The ripple effect of reducing the smoking rates will be healthier people and fewer people dying of an expensive, tobacco-related disease.

NDMA supports HB 1403. I would be happy to answer any questions. Thank you.



**House Finance & Tax Committee
Rep. Craig Headland, Chair
Feb. 9, 2021
Testimony in Support of HB 1403**

Good morning, Chairman Headland and members of the committee. My name is Marnie Walth and I represent the Health Policy Consortium. HPC is a healthcare advocacy organization that includes Trinity Health in Minot, Altru Health Systems in Grand Forks and Sanford Health in Fargo and Bismarck. Collectively, HPC members provide 80 percent of the acute healthcare services in North Dakota.

HPC supports HB 1403 because it seeks to make North Dakota a healthier state. Our health care providers see patients every day dealing with the effects of first- and second-hand smoking—heart disease, lung disease, stroke, cancer, asthma and diabetes. Tobacco use is the single most preventable cause of disease, disability, and death in the United States and one of the most difficult substances to stop using.

Because the nicotine in cigarettes is extremely addictive and patients struggle to stop using it, we know the best way to protect our patients from this harmful substance is to take steps to help ensure they never start. Among the list of evidence-based strategies to prevent tobacco use is increasing the cost of tobacco, proven to reduce the prevalence of cigarette smoking most notably in young adults.

Thank you for your time and your consideration. I would be happy to answer any questions.

Marnie Walth
Health Policy Consortium
701-471-7211



Testimony in Support of HB 1403

House Finance and Taxation Committee

Chairman Headland and Members of the House Finance and Taxation Committee, my name is Mike Krumwiede appearing on behalf of the American Heart Association in support of House Bill 1403. AHA is a nonpartisan, not for profit organization whose mission is to reduce death and disability from heart disease and stroke. That is the guiding vision of everything we do. So why do we get involved in tax policy, because it will help save lives by keeping children from using tobacco and reducing tobacco use among adults.

Smoking is the leading cause of preventable death. Worldwide, tobacco use causes nearly 6 million deaths per year. Smoking kills more people than alcohol, AIDS, car accidents, illegal drugs, murders, and suicides combined. Smoking increases the chance of Coronary Heart Disease and Stroke by 200-400%

It's long been proven that increasing the price of tobacco products is one of the most effective ways to keep youth from starting tobacco use and prompting users to quit tobacco.

In order to have the greatest positive impact on public health, a tax increase needs to be significant. Tobacco companies often support small tax increases knowing that those increases can be easily absorbed through discounts or coupons. These strategies lessen the impact of tobacco taxes on consumers, as well as diminish the benefit to public health. If the tax is significant it will produce new revenue for the state. This will occur despite significant declines in smoking rates and taxed pack sales, because the increased tax per pack brings in much more new revenue than is lost by the declines in the number of taxed packs. For instance, in Oklahoma, one year after a \$1 per pack tax was adopted, cigarette purchases had dropped by 25%, and revenues from the new tax have increased by over \$130 million.

Because HB 1403 increases the tax by \$1.10 per pack it will be a significant enough increase to benefit the state financially while simultaneously have a positive impact on public health. For these reasons we Support HB 1403 and encourage a DO PASS recommendation.



ND PETROLEUM MARKETERS ASSOCIATION

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Testimony- HB 1403 and HB 1422

February 9, 2021- House Finance and Tax Committee

Chairman Headland & Members of the House Finance and Tax Committee:

For the record, I'm Mike Rud, President of the North Dakota Petroleum Marketers Association. On behalf of NDPMA and well over 1,000 retail store fronts, I stand before you urging a **“DO NOT PASS” recommendation on HB 1403 and HB 1422.**

North Dakota doesn't need business tax increases of any kind right now. I would agree with several NDPMA members who have commented to me in the last few days about how unlikely it was any candidate in last fall's election brought up raising taxes on the campaign trail. Yet, here we are having this debate one more time.

Why would any legislator support throwing a wrench into what has been a struggling economic retail engine as the pandemic drags on? Also, why would this legislative body support such onerous “user” taxes on the sale of legal products?

I think Mr. Williams's facts regarding the economic status of ND tobacco users bear repeating. Less than 20% of North Dakotans are tobacco users. A majority of this group fall into the low-income category, making less than \$15,000 a year. Only 14% of resident tobacco users earn more than \$50,000 annually. Right now, all tobacco and vaping products sold in ND are charged a state sales tax or more. In fact, I believe a 2018 Mackinac Study showed tobacco users in ND paid nearly **120 MILLION DOLLARS** in state and federal tobacco excise taxes! How much more tax burden should they be asked to absorb?

You would be hard pressed to convince me doubling or tripling the tobacco sales taxes on a group of residents in the state that can least afford it has any merit. Especially, in the wake of the failed 2016 initiated measure brought forward by the anti-tobacco groups which called for a

similar sized tax increase on the most financially strapped residents of our state which **ND citizens resoundingly shot down by a 62-38% margin**. Just like four years ago, NDPMA can see no justification for such a “Sin Tax” being leveled against economically stressed individuals wanting to purchase a legal product.

When has complete prohibition or prohibition by price worked in the past on other products in America? Mr. Williams rightfully points out increasing the excise tax could hurt legitimate retailers when adult smokers shift purchases to the internet or dark markets, like the reference made to the trunk load of cigarettes hauled in from a surrounding state and sold tax free. State and Local law enforcement are already strapped enough without having to deal with policing what is normally the sale of a legal product, but now suddenly could become a black market and tax evasion issue.

A majority of NDPMA retail outlets are independently owned and operated. Mom and Pop stores providing legal products and services to ND consumers. Contrary to what some might believe, North Dakota retailers don't stand in the driveway or on the storeroom floor attempting to sell tobacco products. Businesses diligently educate and conduct trainings with employees to keep these products out of the hands of minors.

I truly believe the folks I proudly represent impress upon their employees the need to keep tobacco products out of the hands of minors. **ND retailers DO NOT want to see any tobacco or vaping products in the hands of minors!**

Like the food, pop and candy we sell, tobacco is a legal product. Retailers are doing all they can to meet consumer demand in a lawful manner. Don't jeopardize the loss of legal business sales at the retail level. More importantly, don't place an absurdly high tax burden on those in the state who can least afford it and who are already paying more than their fair share in taxes.

NDPMA urges a “DO NOT PASS” recommendation on HB 1403 and HB 1422.

**North Dakota Legislature
House Finance and Taxation Committee Meeting
Testimony of Monte Williams
Regarding HB 1403**

February 9, 2021

Chairperson and Members of the Committee, thank you for the opportunity to speak today.

My name is Monte Williams, and I am offering testimony to the Committee today, on the behalf of Altria and its affiliates Philip Morris USA, John Middleton and U.S. Smokeless Tobacco Company regarding HB 1403 and the potential impact on North Dakota.

My comments and opinions are based on a 30-year career with the California State Board of Equalization. I have held the positions of Chief of Excise Taxes and Chief of Criminal Investigations during my tenure with the Board of Equalization. I have over 20 years of experience with tobacco tax administration and enforcement at the state level. I am a past chair of the Federation of Tax Administrators Tobacco Tax Section. Since leaving government 15 years ago, my practice has been almost exclusively dealing with tobacco issues.

In the interest of time I am going to limit my testimony to three areas:

- Revenue estimates on cigarette tax increases,
- Impact of this proposal on revenue and cross border issues
- Impact of this proposal on adult consumers

Revenue Estimates

Revenue estimates on cigarette tax increases are difficult to make. The revenue is based on a declining market which will create funding shortfalls that will have to be paid for with other budget revenues or tax increases.

To illustrate how difficult it is to make cigarette revenue estimates, 85% of the last state revenue projections on cigarette tax increases missed their mark. Several states even collected lower revenues than before the increase. A material part of that shortage was due to cross border issues and consumer attitude.

Impact on Cross Border Issues

My second area of concern with this proposal is the issue of cross border trafficking of cigarettes. If this proposal is adopted, North Dakota's cigarette excise tax will be \$0.94 higher than Wyoming. This is a significant difference on a per-pack basis. However, when you look at a 10 pack carton or a 50 carton case, the money adds up quickly.

Based on my experience as Chief of Criminal Investigations in California, this tax differential will cause adult smokers to seek out cheaper sources of cigarettes and change their attitude regarding paying taxes. This may begin with casual smuggling. That could be a neighbor going to Wyoming and offering to pick up some cigarettes for friends. However, there will be too much money involved for it to stay casual for long. There could also be issues with any tribal sales as this tax differential will also be present on tribal lands.

For example, a 20' U-Haul type truck that goes to Wyoming and brings back a load of Wyoming tax paid cigarettes will have an excise tax advantage in North Dakota of nearly \$240,000. The trunk of a Ford Taurus can bring back cigarettes with an excise tax advantage of over \$4,700.¹

In addition to this, the Mackinac Center for Public Policy completed a study on cigarette smuggling for each state. Using 2018 data North Dakota was rated at -20%. Meaning that approximately 20% of the consumption of cigarettes was going outside of North Dakota. South Dakota, with a tax rate of \$1.53 per pack, was rated at 13%. Meaning that approximately 13% of the consumption of cigarettes in South Dakota was from outside of the state.²

I saw no language in these bills to address this issue and I am fairly certain the Revenue Department is not currently equipped to handle this type of issue.

If this does occur, your revenue from this tax increase would be further impacted in a negative manner.

Impact on Adult Consumers and Retailers of Tobacco Products

This proposal to raise the excise tax on cigarettes to \$1.54 per pack is a 250% increase in the excise tax. Over the past 10 years, sales taxes on a pack of cigarettes has increased from \$0.21 to \$.26. That is 23% increase.

This is significant and material increase for hard-working North Dakotans. The CDC estimates that 17% of North Dakota's population are smokers. Therefore, this entire tax increase will fall on this small percentage of the population. In addition, the majority of these smokers are in the lower income brackets. For example, 30.6% of smokers have incomes less than \$15,000 and only 14% of smokers in North Dakota earn more than \$50,000 per year.³ Most of this increase will fall on those that can least afford it.

According to the National Association of Convenience Stores, tobacco is the top revenue generator, accounting for 38.8% of in-store sales nationwide.⁴ Increasing the excise tax could hurt legitimate retailers when adult tobacco consumers shift purchases across state lines or to other outlets, such as the Internet. This would negatively affect North Dakota's more than 1,270 retailers.⁵

For the reasons I have outlined I believe that the proposed excise tax increase should not be adopted.

Thank you for your time and I will be happy to try to answer any questions.

¹ Based on cargo sizes from <https://www.uhaul.com/Trucks> and <https://www.ford.com/cars/taurus/models/taurus-sho/> and the tax rates from Missouri Department of Revenue.

² Mackinac Center for Public Policy, Updated Research Quantifies Relationship Between Cigarette Taxes and Smuggling New York has highest smuggling rate; Michigan ranks 14th Monday, May 20, 2019

³ Centers for Disease Control and Prevention, *Behavioral Risk Factor Surveillance System; Prevalence and Trends Data; Nationwide (States and DC) – 2019 Tobacco Use*, Centers for Disease Control and Prevention, at <https://www.cdc.gov/brfss/brfssprevalence/index.html>.

⁴ NACS State of the Industry Report –2019, National Association of Convenience Stores, 33rdEdition, Table 9A.

⁵ Retail locations based on internal PMUSA data and rounded to nearest 10.



American Cancer Society
Cancer Action Network
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Fightcancer.org/northdakota

North Dakota House Finance and Taxation
HB 1403
Testimony of Sara Mannetter, ACS CAN

Good Morning Chair and Committee members. My name is Sara Mannetter and I am the Managing Director of Government Relations for the American Cancer Society Cancer Action Network.

The American Cancer Society Cancer Action Network (ACS CAN) is the nonprofit, nonpartisan advocacy affiliate of the American Cancer Society. We support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem. At this critical moment with focus on protecting respiratory health, we must do everything in our power to keep our communities healthy and safe. We would like to go on record as supporting the \$1.10 cigarette tax increase in House Bill 1403.

Significantly increasing tobacco taxes saves lives, reduces health care costs and generates revenue. In fact, it is one of the most effective ways to prevent youth from starting to use tobacco and encourage those already addicted to quit.

In 2021, it is estimated that approximately 4,200 North Dakota residents will be diagnosed with cancer while 1,210 will die from the disease.ⁱ And a recent analysis from the American Cancer Society estimates 26.4% of cancer deaths in North Dakota were attributable to smoking in 2017.ⁱⁱ

Here in North Dakota 17% of adults smoke and 35.5% of high school students use tobacco products.ⁱⁱⁱ Smoking harms nearly every organ in the body and increases the risk for many types of cancer, heart attack, stroke, COPD, emphysema, chronic bronchitis, and other diseases.^{iv} People who smoke or who used to smoke are at increased risk for severe illness from COVID-19. Smoking is also a proven risk factor for cancer, chronic obstructive pulmonary disease (COPD) and heart disease, which also put people at increased risk for severe illness from COVID-19. Regardless of any association with COVID-19, the adverse health effects of smoking are well-documented and irrefutable.

While the health costs of tobacco are high, this deadly product also costs the U.S. economy billions of dollars in preventable health care expenditures and lost worker productivity. Smoking is estimated to cost North Dakota \$326m in direct health care costs annually, including \$56.9m in Medicaid costs.^v Additionally, North Dakota experiences \$232.6m in productivity losses due to smoking each year.^{vi} Significantly increasing tobacco taxes is a proven strategy for generating revenue while saving lives and health care dollars.

A \$1.10 per pack increase in North Dakota's cigarette tax would prevent 1,700 kids from becoming adults who smoke, help 3,100 adults who smoke quit, and save 1,200 lives. Additionally, this cigarette tax increase would save North Dakota \$102.57 million in long term health care costs and generate \$32.65 million in new annual revenue.

Increasing the tax on all other tobacco products at the same time would produce additional health and economic benefits for North Dakota.

It is important that all other tobacco products, including e-cigarettes, are taxed at 30% of wholesale to parallel the new cigarette tax rate in order to encourage people who use tobacco to quit rather than switching to lower-taxed, lower-cost products. If all tobacco products are not taxed at an equivalent rate, North Dakota can expect to see diminished positive outcomes for both revenue and public health. Currently in North Dakota e-cigarettes are not included in tobacco excise taxes, chewing tobacco is only taxed at 16 cents per ounce, and snuff is taxed at 60 cents per ounce, while smoking tobacco and cigars taxed at 28% of wholesale. Taxing all of these products at 30% of wholesale would provide a parallel rate to the cigarette tax increase. We should not allow such highly addictive products to avoid being taxed at the same rate as cigarettes.

In closing, thank you for tackling this issue and we recommend that you support the \$1.10 cigarette increase in HB 1403.

ⁱ American Cancer Society. Cancer Facts and Figures 2021. Atlanta: American Cancer Society; 2021.

ⁱⁱ American Cancer Society Cancer Action Network. [State-Specific Smoking-Related Cancer Cases and Deaths, 2017](#). December 2020.

ⁱⁱⁱ Adult smoking rate data from the 2019 Behavioral Risk Factor Surveillance System (BRFSS) available online: <https://www.cdc.gov/brfss/brfssprevalence/index.html>. Youth tobacco use data from 2019 YRBS available online: <https://www.cdc.gov/healthyyouth/data/yrbs/results.htm>

^{iv} Centers for Disease Control and Prevention (CDC). Health Effects of Cigarette Smoking. Updated April 28, 2020. https://www.cdc.gov/tobacco/data_statistics/fact_sheets/health_effects/effects_cig_smoking/

^v Campaign for Tobacco-Free Kids. The Toll of Tobacco in North Dakota. Updated October 20, 2020.

^{vi} Campaign for Tobacco-Free Kids. The Toll of Tobacco in North Dakota. Updated October 20, 2020.