

**2021 HOUSE FINANCE AND TAXATION**

**HB 1422**

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Room JW327E, State Capitol

HB 1422  
2/9/2021  
AM

A bill relating to the tax imposed on cigarettes and tobacco products.
--

**Chairman Headland** opened the hearing at 10:04am.

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 taxes on cigarettes and tobacco

**Representative Nelson** introduced bill (no written testimony).

**Heather Austin, Executive Director for Tobacco Free North Dakota**, testified in support (#6011, 6012, 6013, 6014, and 6015).

**Tim Blasl, President for North Dakota Hospital Association**, testified in support (#5996).

**Courtney, Koebele, Executive Director for the North Dakota Medical Association**, testified in support (#5998).

**Marnie Walth, Program Manager for the Health Policy Consortium**, testified in support (#6030).

**Mike Krumwiede, North Dakota Heart Association**, testified in support (#6043).

**Mike Rud, President of the North Dakota Petroleum Marketers Association**, testified in opposition (#6082).

**Arik Spencer, Greater North Dakota Chamber**, testified in opposition (no written testimony).

**Monte Williams, Principal MW Consulting Group representing Altria**, testified in opposition (#6017).

**Chairman Headland** closed the hearing at 10:20am.

**Representative Dockter made a motion for a Do Not Pass.**

**Representative Kading seconded the motion.**

**Roll call vote:**

<b>Representatives</b>	<b>Vote</b>
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	N
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	AB
Representative Wayne A. Trottier	Y

**Motion carried 7-5-2**

**Representative Ertelt is the bill carrier.**

**Additional written testimony:**

**Sara Mannerter, Lobbyist for American Cancer Society Cancer Action Network**, testimony in support #5985.

**Chairman Headland** closed discussion at 11:39am.

*Mary Brucker, Committee Clerk*

**REPORT OF STANDING COMMITTEE**

**HB 1422: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **DO NOT PASS** (7 YEAS, 5 NAYS, 2 ABSENT AND NOT VOTING). HB 1422 was placed on the Eleventh order on the calendar.



P.O. Box 3237  
 Bismarck, ND 58502  
 701-751-0229  
[www.tfnd.org](http://www.tfnd.org)

February 9, 2021

9:00 am CST

House Finance and Taxation Committee for the 67<sup>th</sup> 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 28<sup>th</sup> 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 8<sup>th</sup> in the nation for tobacco tax rate. In the 28 years since that time, ND has gone from 8<sup>th</sup> to 49<sup>th</sup> 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](mailto:heather@tfnd.org)  
[www.tfnd.org](http://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>.



## 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 (48<sup>th</sup> 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	
<b>Percent decrease in youth (under age 18) smoking:</b>	<b>15.4%</b>
<b>Youth under age 18 kept from becoming adult smokers:</b>	<b>2,800</b>
<b>Reduction in young adult (18-24 years old) smokers:</b>	<b>600</b>
<b>Current adult smokers who would quit:</b>	<b>4,800</b>
<b>Premature smoking-caused deaths prevented:</b>	<b>2,000</b>
<b>5-Year reduction in the number of smoking-affected pregnancies and births:</b>	<b>500</b>
<b>5-Year health care cost savings from fewer smoking-caused lung cancer cases:</b>	<b>\$930,000</b>
<b>5-Year health care cost savings from fewer smoking-affected pregnancies and births:</b>	<b>\$1.52 million</b>
<b>5-Year health care cost savings from fewer smoking-caused heart attacks &amp; strokes:</b>	<b>\$1.66 million</b>
<b>5-Year Medicaid program savings for the state:</b>	<b>\$690,000</b>
<b>Long-term health care cost savings from adult &amp; youth smoking declines:</b>	<b>\$159.50 million</b>

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 Broadus 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





## KEY STATE-SPECIFIC TOBACCO-RELATED DATA & RANKINGS

State	Adult Smoking Rate	Adult Smoking Rank (1=low)	Pregnant Smoking Rate <sup>€</sup>	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
<b>All States</b>	<b>14.0%</b>	<b>///</b>	<b>7.2%</b>	<b>4.6%</b>	<b>86,000</b>	<b>480,000</b>	<b>17+ mill.</b>	<b>5.6 mill.</b>	<b>\$170 bill.</b>	<b>\$1.88</b>	<b>///</b>	<b>\$656.0</b>	<b>19.8%</b>
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 <sup>€</sup>	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%	<b>4.2%</b>	500	2,500	118,600	38,000	\$795	<b>\$0.64</b>	<b>42nd</b>	\$2.6	12.4%
Nevada	15.7%	23rd	4.0%	<b>3.6%</b>	600	4,100	128,700	41,000	\$1.08 bill.	\$1.80	25th	\$3.5	11.5%
N. Hampshire	15.9%	24th	11.1%	<b>5.5%</b>	300	1,900	67,900	22,000	\$729	\$1.78	26th	\$0.4	2.2%
New Jersey	13.1%	*	3.9%	<b>3.8%</b>	2,200	11,800	445,800	143,000	\$4.06 bill.	<b>\$2.70</b>	<b>13th</b>	\$7.8	7.6%
New Mexico	16.0%	26th	6.5%	<b>8.9%</b>	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.	<b>\$4.35</b>	<b>2nd</b>	\$39.8	19.6%
North Carolina	18.5%	38th	8.9%	<b>8.3%</b>	2,700	14,200	562,500	180,000	\$3.81 bill.	<b>\$0.45</b>	<b>48th</b>	\$1.9	1.9%
North Dakota	<b>17.0%</b>	<b>31st</b>	<b>12.0%</b>	<b>8.3%</b>	<b>200</b>	<b>1,000</b>	<b>43,400</b>	<b>14,000</b>	<b>\$326</b>	<b>\$0.44</b>	<b>49th</b>	<b>\$5.4</b>	<b>55.5%</b>
Ohio	20.8%	47th	14.4%	<b>4.9%</b>	4,000	20,200	809,800	259,000	\$5.64 bill.	\$1.60	29th	\$12.3	9.3%
Oklahoma	18.9%	40th	11.7%	<b>9.1%</b>	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%	<b>6.6%</b>	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%	<b>4.2%</b>	200	1,800	48,700	16,000	\$640	\$4.25	4th	\$0.4	3.1%
South Carolina	17.6%	34th	9.1%	<b>5.9%</b>	1,500	7,200	322,900	103,000	\$1.90 bill.	<b>\$0.57</b>	<b>46th</b>	\$5.0	9.8%
South Dakota	18.3%	36th	13.6%	<b>12.0%</b>	300	1,300	65,700	21,000	\$373	<b>\$1.53</b>	<b>30th</b>	\$4.5	38.5%
Tennessee	19.9%	43rd	13.4%	<b>7.1%</b>	1,900	11,400	391,400	125,000	\$2.67 bill.	<b>\$0.62</b>	<b>43rd</b>	\$0.0	0.0%
Texas	14.7%	16th	3.3%	<b>4.9%</b>	7,700	28,000	1,557,800	498,000	\$8.85 bill.	<b>\$1.41</b>	<b>31st</b>	\$4.2	1.6%
Utah	7.9%	1st	3.0%	<b>2.2%</b>	500	1,300	120,800	39,000	\$542	<b>\$1.70</b>	<b>27th</b>	\$15.3	79.4%
Vermont	15.1%	20th	15.5%	<b>6.9%</b>	100	1,000	31,500	10,000	\$348	\$3.08	8th	\$2.7	32.0%
Virginia	14.0%	12th	6.2%	<b>5.5%</b>	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.	<b>\$3.025</b>	<b>10th</b>	\$2.1	3.4%
West Virginia	23.8%	50th	25.1%	<b>13.5%</b>	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.	<b>\$2.52</b>	<b>15th</b>	\$5.3	9.2%
Wyoming	18.4%	37th	14.6%	<b>15.7%</b>	100	800	37,800	12,000	\$258	<b>\$0.60</b>	<b>44th</b>	\$2.4	27.7%

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

## Sources for Table

**Adult Smoking Rates.** CDC, "Tobacco Product Use Among Adults—United States, 2019," MMWR 69(46): 1736-1742, November 20, 2020, <https://www.cdc.gov/mmwr/volumes/69/wr/pdfs/mm6946a4-H.pdf>. State smoking rates from 2019 Behavioral Risk Factor Surveillance System (BRFSS) data available online: <https://www.cdc.gov/brfss/brfssprevalence/index.html>; New Jersey rate from 2018. Due to changes in CDC's methodology, these state-specific adult smoking rates cannot be compared to data prior to 2011.

**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>.

**Youth Smoking Rates.** National rate from the 2020 National Youth Tobacco Survey (NYTS). State youth smoking rates from most recent years available; in **bold** type from the Youth Risk Behavioral Surveillance (YRBS); in regular type from Youth Tobacco Surveillance (YTS); and in *italics* from state-specific surveys. OR data are for 11<sup>th</sup> grade only. WA data are for 10<sup>th</sup> grade only. Because of different surveys and years, state rankings based on youth smoking cannot be done.

**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/](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>.

**Kids Who Will Become Smokers.** 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>.

**Smoking-Caused Health Care Costs.** CDC, *Best Practices for Comprehensive Tobacco Control Programs—2014*, [http://www.cdc.gov/tobacco/stateandcommunity/best\\_practices/](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/](http://www.cdc.gov/tobacco/stateandcommunity/best_practices/).



Adopted by the Tobacco Free North Dakota Board of Directors December 12, 2019.

---

*Statement of Support for the North Dakota Smoke-Free Law*

---

**WHEREAS**, tobacco use is the foremost preventable cause of premature death in the United States.<sup>1</sup> Tobacco is responsible for approximately 480,000 deaths a year and 20.8 million premature deaths in the United States over the past 50 years since the first Surgeon General's report on smoking in 1964<sup>2</sup>;

**WHEREAS**, tobacco smoke contains more than 7,000 chemicals, including hundreds that are toxic and about 70 that can cause cancer<sup>3</sup>. Both the Public Health Service's National Toxicology Program and Environmental Protection Agency have classified secondhand smoke (SHS) as a known carcinogen, concluding that SHS is a health risk to nonsmokers<sup>4</sup>;

**WHEREAS**, the Surgeon General concludes that SHS causes lung cancer, heart disease, as well as stroke in adults<sup>2</sup>. In addition, the following health effects are associated with SHS exposure: sudden infant death syndrome, low birth weight; middle ear problems, respiratory symptoms, and asthma in children<sup>5</sup>;

**WHEREAS**, studies have shown that second hand aerosol from electronic nicotine delivery systems (ENDS) is not harmless. It can contain harmful and potentially harmful chemicals, including nicotine; ultrafine particles that can be inhaled deep into the lungs; flavoring such as diacetyl, a chemical linked to a serious lung disease; volatile organic compounds such as benzene, which is found in car exhaust; and heavy metals, such as nickel, tin, and lead<sup>6</sup>;

**WHEREAS**, secondhand smoke from marijuana has many of the same chemicals as smoke from tobacco, including those linked to lung cancer<sup>7</sup>. Exposure to fine particulate matter can exacerbate health problems, especially for people with respiratory conditions like asthma, bronchitis, or chronic obstructive pulmonary disease (COPD)<sup>8</sup>;

**WHEREAS**, cigar smoke, like cigarette smoke, contains toxic and cancer-causing chemicals that are harmful to both smokers and nonsmokers. Cigar smoke is possibly more toxic than cigarette smoke as cigars have a higher level of cancer-causing substances, more tar, and a higher level of toxins<sup>9</sup>. The larger size of most cigars and longer smoking time result in higher exposure to many toxic substances including carbon monoxide, hydrocarbons, ammonia, cadmium, and other substances.

**WHEREAS**, the American Society for Heating, Refrigeration, and Air-Conditioning Engineers (ASHRAE), affirms that mechanical solutions like ventilation cannot control for the health hazards of SHS, the only means of effectively eliminating health risk associated with indoor secondhand smoke

exposure is to ban smoking activity<sup>10</sup>;

**WHEREAS**, the Surgeon General concluded that there is no risk-free level of exposure to SHS; ventilation and other air cleaning technologies cannot completely control for exposure of nonsmokers to secondhand smoke; smoke-free workplace policies are the only effective way to eliminate SHS exposure in the workplace, and evidence from peer-reviewed studies shows that smoke-free policies and laws do not have an adverse economic impact on the hospitality industry;

**WHEREAS**, SHS exposure in bars and restaurants leads to 1420 new cases of asthma among nonsmoking servers each year<sup>11</sup>;

**WHEREAS**, multiple studies have linked comprehensive smoke-free workplace and public places legislation to significant declines in hospital admissions for heart attacks in the general population;

**WHEREAS**, studies indicate that individuals living in communities with comprehensive smoke-free policies are 22% less likely to be hospitalized for COPD compared to their peers in communities with moderate-weak smoke-free laws or no law<sup>12</sup>;

**WHEREAS**, the World Health Organization (WHO) recommends that ENDS not be used indoors, especially in smoke-free environments, in order to minimize the risk to bystanders of breathing in the aerosol emitted by the devices and to avoid undermining the enforcement of smoke-free laws<sup>13</sup>;

**WHEREAS**, the annual economic impact of smoking in the U.S. is more than \$300 billion in health care and lost worker productivity costs<sup>11</sup>;

**WHEREAS**, in 2012 North Dakota enacted a comprehensive statewide law prohibiting smoking in enclosed public places and policies such as this have been shown to protect the public from exposure to secondhand smoke, and help smokers reduce the number of cigarettes consumed or quit entirely<sup>14</sup>;

**WHEREAS**, this law is supported by over 80% of North Dakotans<sup>15</sup>;

**THEREFORE**, be it resolved, \_\_\_\_\_  
believes that the current protections that this law provides the citizens of North Dakota enhance the health and wellbeing of the state and supports the preservation of this law.

---

Name of Organization Representative

---

Signature of Organization Representative

---

Date

---

<sup>1</sup> Centers for Disease Control & Prevention, Current Cigarette Smoking Among Adults, United States, 2011, 61(44) Morbidity and Mortality Wkly. Rep. 889, 891 (2012), <http://www.cdcgov/mmwr/pdf/wk/mm6144.pdf>.

<sup>2</sup> U.S. Department of Health and Human Services. (2014). The Health Consequences of Smoking-50 Years of Progress: A Report of the Surgeon General, Retrieved from: <https://www.ncbi.nlm.nih.gov/books/NBK179276/>

<sup>3</sup> 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

<sup>4</sup>U.S. Environmental Protection Agency. "Respiratory Health Effects of Passive Smoking: Lung Cancer and Other Disorders." Washington, DC: U.S. Environmental Protection Agency;1992. Pub. No. EPA/600/6-90/006F.

<sup>5</sup> U.S. Department of Health and Human Services. (2006) The health consequences of involuntary exposure to tobacco smoke: A report of the Surgeon General, Retrieved from: <https://www.ncbi.nlm.nih.gov/books/NBK44324/>

<sup>6</sup> <https://e-cigarettes.surgeongeneral.gov/knowtherisks.html>

<sup>7</sup>"Evidence on the Carcinogenicity of Marijuana Smoke." Reproductive and Cancer Hazard Assessment Branch, Office of Environmental Health Hazard Assessment, California Environmental Protection Agency. August 2009. [http://oehha.ca.gov/prop65/hazard\\_ident/pdf\\_zip/FinalMJsmokeHID.pdf](http://oehha.ca.gov/prop65/hazard_ident/pdf_zip/FinalMJsmokeHID.pdf)

<sup>8</sup>"Air and Health: Particulate Matter." National Environmental Public Health Tracking Network, U. S. Environmental Protection Agency. <http://ephtracking.cdc.gov/showAirHealth.action#ParticulateMatter>

<sup>9</sup>National Cancer Institute (1998). *Smoking and Tobacco Control Monograph 9: Cigars: Health Effects and Trends*. Bethesda, MD. <http://www.cancercontrol.cancer.gov/tcrb/monographs/9/index.html>.

<sup>10</sup> [https://www.ashrae.org/File%20Library/About/Position%20Documents/ASHRAE\\_PD\\_Environmental\\_Tobacco\\_Smoke\\_2019.pdf](https://www.ashrae.org/File%20Library/About/Position%20Documents/ASHRAE_PD_Environmental_Tobacco_Smoke_2019.pdf)

<sup>11</sup> Liu R, Bohac DL, Gundel LA, Hewett MJ, Apte MG, Hammond SK. Assessment of risk for asthma initiation and cancer and heart disease deaths among patrons and servers due to secondhand smoke exposure in restaurants and bars. *Tob Control*. Jul 2014;23(4):332-338.

<sup>12</sup> Hahn EJ, Rayens MK, Adkins S, Simpson N, Frazier S, Mannino DM. Fewer hospitalizations for chronic obstructive pulmonary disease in communities with smoke-free public policies. *Am J Public Health*. Jun 2014;104(6):1059-1065.

<sup>13</sup> Conference of the Parties to the WHO Framework Convention on Tobacco Control; Sixth session Moscow, Russian Federation,13–18 October 2014 [http://apps.who.int/gb/fctc/PDF/cop6/FCTC\\_COP6\\_10Rev1-en.pdf?ua=1](http://apps.who.int/gb/fctc/PDF/cop6/FCTC_COP6_10Rev1-en.pdf?ua=1)

<sup>14</sup> Zaza, S., Peter A. Briss, PA, Harris, KW (eds), *The Guide to Community Preventive Services: What Works to Promote Health?* Task Force on Community Preventive Services, Oxford University Press, 2005.

<sup>15</sup> North Dakota Public Opinion Survey: Priority Analyses Summary (October 2016) **Center for Public Health Systems Science & Brown School Evaluation Center**; George Warren Brown School of Social Work





## RAISING CIGARETTE TAXES REDUCES SMOKING, ESPECIALLY AMONG KIDS (AND THE CIGARETTE COMPANIES KNOW IT)

---

Based on a comprehensive review of evidence, the Surgeon General has called raising prices on cigarettes “one of the most effective tobacco control interventions” because increasing price is proven to reduce smoking, especially among kids.<sup>1</sup> However, the cigarette companies have opposed tobacco tax increases by arguing that raising cigarette prices would not reduce adult or youth smoking. But the companies’ internal documents, disclosed in the tobacco lawsuits, show that they know very well that raising cigarette prices is one of the most effective ways to prevent and reduce smoking, especially among kids.

- Philip Morris: *Of all the concerns, there is one - taxation - that alarms us the most. While marketing restrictions and public and passive smoking [restrictions] do depress volume, in our experience taxation depresses it much more severely. Our concern for taxation is, therefore, central to our thinking . . .*<sup>2</sup>
- Philip Morris: *When the tax goes up, industry loses volume and profits as many smokers cut back.*<sup>3</sup>
- RJ Reynolds: *If prices were 10% higher, 12-17 incidence [youth smoking] would be 11.9% lower.*<sup>4</sup>
- Philip Morris: *It is clear that price has a pronounced effect on the smoking prevalence of teenagers, and that the goals of reducing teenage smoking and balancing the budget would both be served by increasing the Federal excise tax on cigarettes.*<sup>5</sup>
- Philip Morris: *Jeffrey Harris of MIT calculated...that the 1982-83 round of price increases caused two million adults to quit smoking and prevented 600,000 teenagers from starting to smoke...We don't need to have that happen again.*<sup>6</sup>
- Philip Morris: *A high cigarette price, more than any other cigarette attribute, has the most dramatic impact on the share of the quitting population...price, not tar level, is the main driving force for quitting.*<sup>7</sup>

[For more on cigarette company documents and price/tax increases see the 2002 study in the *Tobacco Control* journal, “Tax, Price and Cigarette Smoking: Evidence from the Tobacco Documents.”<sup>8</sup>]

The cigarette companies have even publicly admitted the effectiveness of tax increases to deter smoking in their required filings with the U.S. Securities and Exchange Commission.

- Philip Morris: *Tax increases are expected to continue to have an adverse impact on sales of tobacco products by our tobacco subsidiaries, due to lower consumption levels...* [10-Q Report, November 3, 2008]
- Lorillard Tobacco: *We believe that increases in excise and similar taxes have had an adverse impact on sales of cigarettes. In addition, we believe that future increases, the extent of which cannot be predicted, could result in further volume declines for the cigarette industry, including Lorillard Tobacco...* [10-Q Report, November 4, 2008]
- R.J. Reynolds: *Together with manufacturers' price increases in recent years and substantial increases in state and federal taxes on tobacco products, these developments have had and will likely continue to have an adverse effect on the sale of tobacco products.* [10-Q Report, October 24, 2008]

Or, as the Convenience Store News put it: *“It's not a hard concept to grasp -- as taxes on cigarettes goes up, sales of cigarettes go down.”*<sup>9</sup>

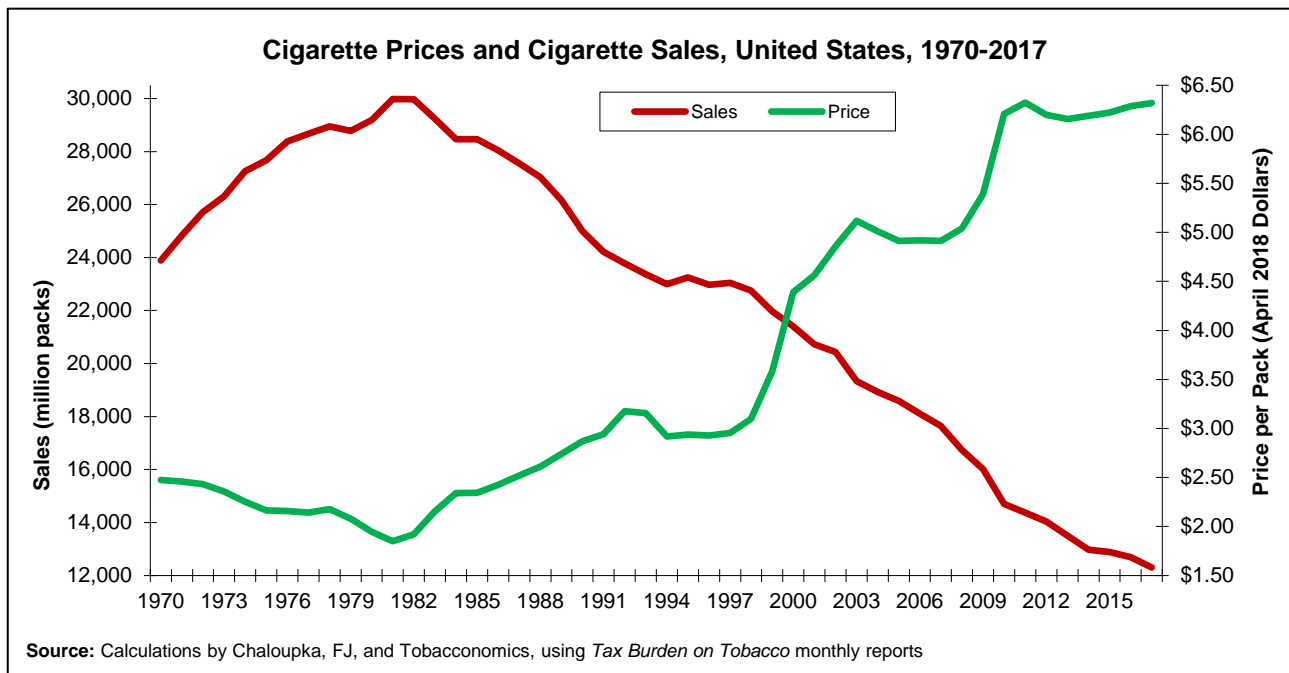
**Economic Research Confirms That Cigarette Tax Increases Reduce Smoking.** Numerous economic studies in peer-reviewed journals have documented that cigarette tax or price increases reduce both adult and underage smoking. The general consensus is that nationally, every 10 percent increase in the real price of cigarettes reduces adult smoking by about two percent, reduces smoking among young adults by about 3.5 percent, reduces the number of kids who smoke by six or seven percent, and reduces overall cigarette consumption by approximately three to five percent.<sup>10</sup> Research studies have also found that:

- Cigarette price and tax increases work even more effectively to reduce smoking among Blacks, Hispanics, and lower-income smokers.<sup>11</sup>

- A cigarette tax increase that raises prices by ten percent will reduce smoking among pregnant women by seven percent, preventing thousands of spontaneous abortions and still-born births, and saving tens of thousands of newborns from suffering from smoking-affected births and related health consequences.<sup>12</sup>
- Higher taxes on smokeless tobacco reduce its use, particularly among young males; and increasing cigar prices through tax increases reduce adult and youth cigar smoking.<sup>13</sup>
- By reducing smoking levels, cigarette tax increases reduce secondhand smoke exposure among nonsmokers, especially children and pregnant women.

### **Increasing Cigarette Prices and Declining Consumption**

Although there are many other factors involved, the trends in cigarette prices and overall U.S. cigarette consumption from 1970 to 2017 show that there is a strong correlation between increasing prices and decreasing consumption.



While U.S. cigarette prices are largely controlled by the tobacco companies' price-setting decisions, increases in federal and state cigarette taxes also impact prices. Since 1970, the federal tax on cigarettes increased from eight cents to \$1.01 per pack, with the largest one-time increase of 61.66 cents per pack occurring in 2009. Meanwhile, the average state cigarette tax has increased from 10 cents to \$1.88 per pack today. Without these federal and state tax increases, U.S. cigarette prices would be much lower and U.S. smoking levels would be much higher.

**2009 Federal Experience.** After the 2009 federal tobacco tax increase passed, calls to the national quitline (1-800-QUITNOW), which provides assistance to people who want to quit, increased by 30 percent in the 12 months after the increase compared to the 12 months before.<sup>14</sup> In 2009, national pack sales declined by 8.3 percent—the largest one-year decline since 1932.

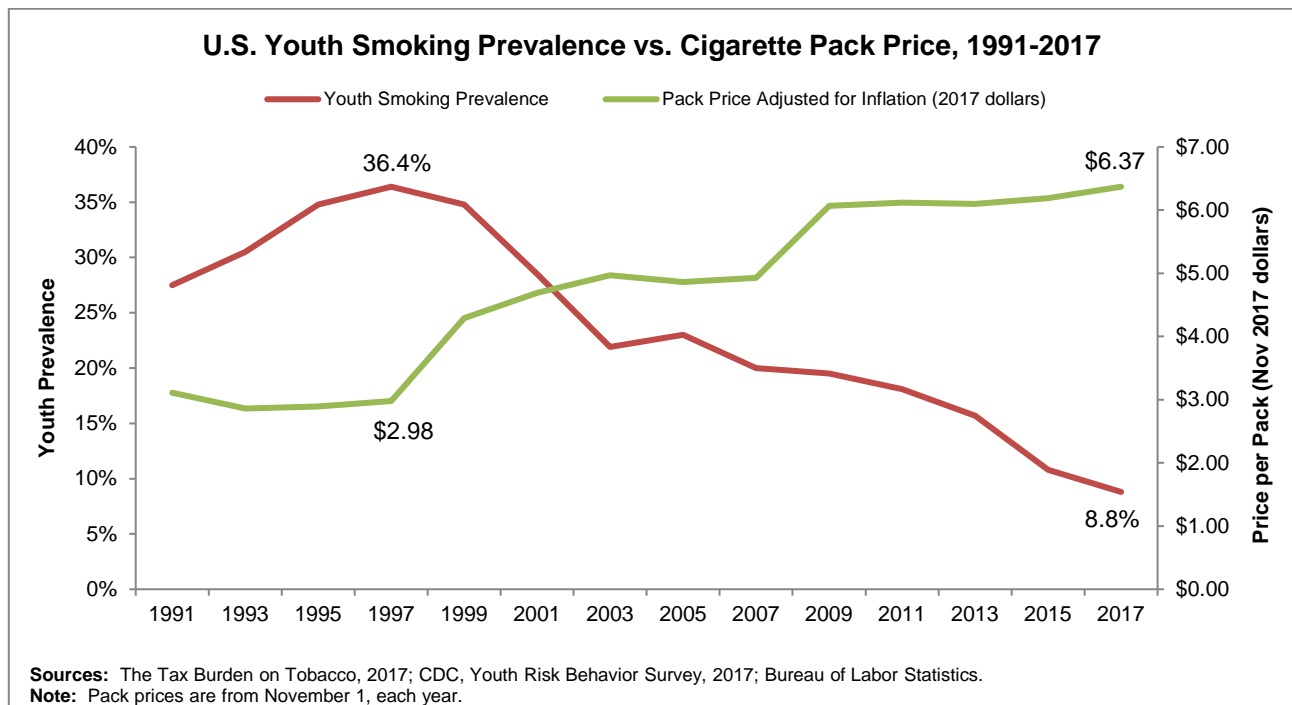
**State Experiences.** In every single state that has significantly raised its cigarette tax rate, pack sales have gone down sharply.<sup>15</sup> While some of the decline in pack sales comes from interstate smuggling and from smokers going to other lower-tax states to buy their cigarettes, reduced consumption from smokers quitting and cutting back plays a more powerful role. As shown above, nationwide data—which count both legal in-state purchases and packs purchased through cross-border, Internet, or smuggled sales—show that overall packs sales go down as state cigarette tax increases push up the average national price.

Data show that state cigarette tax increases are prompting many smokers to quit or cutback. For example, after Oklahoma's \$1.00 per pack cigarette tax increase went into effect on July 1, 2018, its Tobacco Helpline saw an 85 percent increase in registrations in the first month compared to the same period the year before.<sup>16</sup>



Similarly, Wisconsin Quit Line received a record-breaking 20,000 calls in the first two months after its \$1.00 per cigarette pack increase (it typically receives 9,000 calls per year).<sup>17</sup> Likewise, in Texas and Iowa, which each increased their cigarette taxes by \$1.00 in 2007, the number of calls to the state quitlines were much higher compared to the year before.<sup>18</sup> It is also clear that these efforts to quit by smokers after tax increases translate directly into lower future smoking rates. In Washington State, for example, adult smoking from the year before its 60-cent cigarette tax increase in 2002 to the year afterwards declined from 22.6 to 19.7 percent, reducing the number of adult smokers in the state by more than 100,000, despite overall population increases.<sup>19</sup>

**Prices and Youth Smoking Rates.** The chart below shows how closely linked youth smoking prevalence is to cigarette pack prices. As prices climbed in the late 1990s and early 2000s, youth smoking rates declined, but as the price decreased between 2003 and 2005 (along with funding for tobacco prevention programs in many states), youth rates increased. More recently, spurred in part by the large jump in price in 2009 from the large federal tobacco tax increase and the many state cigarette tax increases, youth smoking rates have fallen more rapidly.



Researchers found that the 61.66-cent federal cigarette tax rate increase on April 1, 2009 had a substantial and immediate impact on youth smoking. The percentage of students who reported smoking in the past 30 days dropped between 9.7 percent and 13.3 percent immediately following the tax increase, resulting in an estimated 220,000 to 287,000 fewer current smokers among middle and high school students in May 2009.<sup>20</sup>

### **Expert Conclusions on Cigarette Prices and Smoking Levels**

- The National Cancer Institute (NCI) and World Health Organization (WHO) concluded in their 2017 report, *The Economics of Tobacco and Tobacco Control*, "A substantial body of research, which has accumulated over many decades and from many countries, shows that significantly increasing the excise tax and price of tobacco products is the single most consistently effective tool for reducing tobacco use. Significant increases in tobacco taxes and prices reduce tobacco use by leading some current users to quit, preventing potential users from initiating use, and reducing consumption among current users."<sup>21</sup>
- The 2014 Surgeon's General Report recommends increasing tobacco taxes to reduce or prevent tobacco use. Specifically, the report states, "Evidence shows that large tax and, hence, price increases will decrease tobacco use each time they are implemented."<sup>22</sup>
- In November 2012, the Community Preventive Services Task Force, under the U.S. Department of Health and Human Services, completed a thorough review of recent evidence on the effectiveness of tobacco product price increases, including increasing tobacco taxes. Based on that work, the Task Force

“recommends interventions that increase the unit price of tobacco products based on strong evidence of effectiveness in reducing tobacco use. Evidence is considered strong based on findings from studies demonstrating that increasing the price of tobacco products: Reduces the total amount of tobacco consumed; Reduces the prevalence of tobacco use; Increases the number of tobacco users who quit; Reduces initiation of tobacco use among young people; Reduces tobacco-related morbidity and mortality.”<sup>23</sup>

- The 2012 Surgeon General's report, *Preventing Tobacco Use Among Youth and Young Adults*, stated, “Federal, state, and local taxes that raise prices on tobacco products improve public health by reducing initiation, prevalence, and intensity of smoking among young people. Comprehensive reviews of the literature on the effect of price on tobacco consumption estimate a 3–5% reduction in overall cigarettes consumed as a result of a 10% increase in cigarette prices, and youth and young adults have proven to be even more responsive than adults to higher cigarette prices.”<sup>24</sup>
- In its 2007 report, *Ending the Tobacco Problem: A Blueprint for the Nation*, the National Academy of Sciences' Institute of Medicine recommends raising cigarette taxes in states with low rates and indexing them to inflation, to reduce cigarette consumption and to provide money for tobacco control. The report states, “Tobacco excise tax revenues pose a potential funding stream for state tobacco control programs. Setting aside about one-third of the per-capita proceeds from tobacco excise taxes would help states fund programs at the level suggested by CDC.”<sup>25</sup>
- The President's Cancer Panel's 2007 report, *Promoting Healthy Lifestyles*, advised increasing state tobacco taxes, stating, “Increases in tobacco excise taxes, which are passed along to consumers in the form of higher tobacco product prices, have proven highly effective in reducing tobacco use by promoting cessation among current users, discouraging relapse among former users, preventing initiation among potential users, and reducing consumption among those who continue to use tobacco. These revenues also provide crucial dollars needed to fund anti-tobacco efforts.”<sup>26</sup>
- The 2000 U.S. Surgeon General's Report, *Reducing Tobacco Use*, found that raising tobacco-product prices decreases the prevalence of tobacco use, particularly among kids and young adults, and that tobacco tax increases produce “substantial long-term improvements in health.” From its review of existing research, the report concluded that raising tobacco taxes is one of the most effective tobacco prevention and control strategies.<sup>27</sup>
- Wall Street tobacco industry analysts have long recognized the powerful role increased cigarette taxes and rising cigarette prices play in reducing U.S. smoking levels. For example, a December 1998 “Sensitivity Analysis on Cigarette Price Elasticity” by Credit Suisse First Boston Corporation settled on a “conservative” estimate that cigarette consumption will decline by four percent for every 10 percent increase in price.
- In its 1998 report, *Taking Action to Reduce Tobacco Use*, the National Academy of Sciences' Institute of Medicine concluded, “the single most direct and reliable method for reducing consumption is to increase the price of tobacco products, thus encouraging the cessation and reducing the level of initiation of tobacco use.”<sup>28</sup>

**Campaign for Tobacco-Free Kids, December 28, 2020 / Ann Boonn**

**More information on state tobacco taxes is available at**  
[http://www.tobaccofreekids.org/facts\\_issues/fact\\_sheets/policies/tax/us\\_state\\_local/](http://www.tobaccofreekids.org/facts_issues/fact_sheets/policies/tax/us_state_local/).

---

<sup>1</sup> 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: HHS, 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-years-of-progress/index.html>.

<sup>2</sup> Philip Morris document, “General Comments on Smoking and Health,” Appendix I in *The Perspective of PM International on Smoking and Health Initiatives*, March 29, 1985, Bates No. 2023268329/8348.

<sup>3</sup> Ellen Merlo, Senior Vice President of Corporate Affairs, Philip Morris, 1994 draft speech to the Philip Morris USA Trade Council, January 11, 1994, Bates No. 2022811708/1755.

<sup>4</sup> R.J. Reynolds Executive D. S. Burrows, “Estimated Change In Industry Trend Following Federal Excise Tax Increase,” September 20, 1982, Bates No. 501988846/8849.

<sup>5</sup> Philip Morris Research Executive Myron Johnston, “Teenage Smoking and the Federal Excise Tax on Cigarettes,” September 17, 1981, Bates No. TA82034-TA82038.

<sup>6</sup> Philip Morris Executive Jon Zoler, “Handling An Excise Tax Increase,” September 3, 1987, Bates No. 2022216179/6180.

<sup>7</sup> Philip Morris Executive Claude Schwab, “Cigarette Attributes and Quitting,” March 4, 1993, Bates No. 2045447810.

<sup>8</sup> Chaloupka, FJ, et al., "Tax, Price and Cigarette Smoking: Evidence from the Tobacco Documents and implications for tobacco company marketing strategies," *Tobacco Control* 11:62-72, March 2002.

<sup>9</sup> "Cigarette Sales Down after Tax Increases," *Convenience Store News*, June 5, 2009.

<sup>10</sup> See, e.g., Chaloupka, FJ, "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine and Tobacco Research* 1(Suppl 1):S105-9, 1999; other studies at <http://www.ihrp.uic.edu/researcher/frank-j-chaloupka-phd> and <http://tobaccconomics.org/>; Tauras, J, "Public Policy and Smoking Cessation Among Young adults in the United States," *Health Policy* 6:321-32, 2004; Tauras, J, et al., "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," National Bureau of Economic Research Working Paper 8331, June 2001, <http://www.nber.org/papers/w8331>. Chaloupka, FJ & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998; Emery, S, et al., "Does Cigarette Price Influence Adolescent Experimentation?," *Journal of Health Economics* 20:261-270, 2001; Evans, W & Huang, L, *Cigarette Taxes and Teen Smoking: New Evidence from Panels of Repeated Cross-Sections*, working paper, April 15, 1998; Harris, J & Chan, S, "The Continuum-of-Addiction: Cigarette Smoking in Relation to Price Among Americans Aged 15-29," *Health Economics Letters* 2(2):3-12, February 1998, <http://www.mit.edu/people/jeffrey/HarrisChanHEL98.pdf>. HHS, *Reducing Tobacco Use: A Report of the Surgeon General*, Atlanta, Georgia: HHS, CDC, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2000, [http://profiles.nlm.nih.gov/NN/B/B/L/Q/\\_/nnbblq.pdf](http://profiles.nlm.nih.gov/NN/B/B/L/Q/_/nnbblq.pdf).

<sup>11</sup> See, e.g., CDC, "Responses to Cigarette Prices By Race/Ethnicity, Income, and Age Groups – United States 1976-1993," *Morbidity and Mortality Weekly Report* 47(29):605-609, July 31, 1998, <http://www.cdc.gov/mmwr/preview/mmwrhtml/00054047.htm>. Chaloupka, FJ & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998. Oredein, T & Foulds, J, "Causes of the Decline in Cigarette Smoking Among African American Youths From the 1970s to the 1990s," *American Journal of Public Health* e1-e11, doi:10.2105/AJPH.2011.300289, August 18, 2011.

<sup>12</sup> Ringel, J & Evans, W, "Cigarette Taxes and Smoking During Pregnancy," *American Journal of Public Health* 91(11):1851-6, 2001. See also, TFK Factsheet, *Harm Caused by Pregnant Women Smoking or Being Exposed to Secondhand Smoke*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0007.pdf>.

<sup>13</sup> Chaloupka, FJ, Tauras, J & Grossman, M, "Public Policy and Youth Smokeless Tobacco Use," *Southern Economic Journal* 64(2):503-16, October 1997. Ringel, JS, Wasserman, J, & Andreyeva, T, "Effects of Public Policy on Adolescents' Cigar Use: Evidence From the National Youth Tobacco Survey," *American Journal of Public Health* 95:995-998, 2005.

<sup>14</sup> Analysis of data from calls to 1-800-QUIT-NOW.

<sup>15</sup> TFK Factsheet, *Raising State Cigarette Taxes Always Increases State Revenues (and Always Reduces Smoking)*, <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.

<sup>16</sup> Collins, E, "Tobacco tax hike has more Oklahoma smokers trying to quit," *KOKH*, August 9, 2018, <https://ktul.com/news/local/tobacco-tax-hike-has-more-oklahomans-trying-to-quit>.

<sup>17</sup> "Calls to Wisconsin Tobacco Quit Line breaks all records," *The Dunn County News*, March 12, 2008.

<sup>18</sup> Souza, M, "Thank you for Smoking," *Longview-News Journal*, April 22, 2007. "Calls to Quitline Iowa double after cigarette tax raised," *AP*, March 22, 2007. See also, TFK Factsheet, *Quitlines Help Smokers Quit*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0326.pdf>.

<sup>19</sup> CDC, Current Adult Smokers, Behavioral Risk Factor Surveillance System (BRFSS).

<sup>20</sup> Huang, J & Chaloupka, FJ, *The Impact of the 2009 Federal Tobacco Excise Tax Increase on Youth Tobacco Use*, National Bureau of Economic Research Working Paper 18026, April 2012, <http://www.nber.org/papers/w18026>.

<sup>21</sup> U.S. National Cancer Institute & World Health Organization, *The Economics of Tobacco and Tobacco Control*, National Cancer Institute Tobacco Control Monograph 21, NIH Publication No. 16-CA-8029A, Bethesda, MD: U.S. Department of Health and Human Services, National Institutes of Health, National Cancer Institute; and Geneva, CH: World Health Organization; 2016, [https://cancercontrol.cancer.gov/brp/tcrb/monographs/21/docs/m21\\_complete.pdf](https://cancercontrol.cancer.gov/brp/tcrb/monographs/21/docs/m21_complete.pdf).

<sup>22</sup> 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>

<sup>23</sup> Community Preventive Services Task Force, *Reducing Tobacco Use and Secondhand Smoke Exposure: Interventions to Increase the Unit Price for Tobacco Products*, Task Force Finding and Rationale Statement, 2014, <http://www.thecommunityguide.org/tobacco/RRincreasingunitprice.html>.

<sup>24</sup> HHS, *Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General*, 2012, <http://www.surgeongeneral.gov/library/reports/preventing-youth-tobacco-use/full-report.pdf>.

<sup>25</sup> Institute of Medicine (IOM), *Ending the tobacco problem: A blueprint for the nation*, Washington, DC: The National Academies Press, 2007, <https://www.nap.edu/catalog/11795/ending-the-tobacco-problem-a-blueprint-for-the-nation>.

<sup>26</sup> President's Cancer Panel, *Promoting Healthy Lifestyles*, 2006-2007 Annual Report, August 2007, <https://deainfo.nci.nih.gov/advisory/pcp/annualReports/pcp07rpt/pcp07rpt.pdf>.

<sup>27</sup> HHS, *Reducing Tobacco Use: A Report of the Surgeon General*, 2000, [http://profiles.nlm.nih.gov/NN/B/B/L/Q/\\_/nnbblq.pdf](http://profiles.nlm.nih.gov/NN/B/B/L/Q/_/nnbblq.pdf).

<sup>28</sup> IOM, *Taking Action to Reduce Tobacco Use*, Washington, DC: National Academy Press, 1998, <https://www.nap.edu/catalog/6060/taking-action-to-reduce-tobacco-use>.

**2021 HB 1422****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 1422. 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. National and state polls consistently have found overwhelming public support for tobacco tax increases. Polls also show that, when it comes to balancing budgets, voters prefer raising tobacco taxes to other tax increases.

This bill will increase the tax on cigars, pipe tobacco, other tobacco including snuff and chew, and cigarettes. Such a tobacco tax increase will encourage tobacco users to quit, discourage people from starting, reduce healthcare costs. The cigarette tax increase alone is estimated to generate \$27.5 million in additional revenue per year. Some of the additional revenue would be set aside in the community health trust fund which can be used by the state for public health programs.

We have the third lowest cigarette tax in the country at 44 cents per pack. The national average is \$1.88 per pack. North Dakota hasn't increased the tax on cigarettes for almost thirty years. Our neighboring states' taxes are all considerably higher. Montana's tax is \$1.70, South Dakota's tax is \$1.53, and Minnesota's tax is \$3.04 per pack.

Our hospitals strongly support 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. I urge you to support the bill too. Let's ensure that 2021 is the year that public health is priority over tobacco product manufacturers so that another generation is spared the deadly addiction to tobacco products.

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 1422****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 1422, increasing the state's tax on tobacco products. 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.

According to the Centers for Disease Control and Prevention (CDC) Office on Smoking and Health, tobacco use health care costs in North Dakota amount to \$326 million per year.

Physicians are on the front lines of trying to prevent and reduce tobacco use, 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, particularly in adolescents. Therefore, preventing the uptake of tobacco use by making it less affordable is a better investment than waiting to treat smokers in adulthood.

However, it is important to recognize that tobacco tax increases will only reduce tobacco consumption if the increase is noticeable and beyond the range of being offset by tobacco industry discounts.

To show the effectiveness of how a strong tax increase can make an impact, in 2013, the Minnesota Legislature passed a law that increased the tax on cigarettes by \$1.60 per pack. A follow-up study - the Minnesota Youth Tobacco report – showed high school student cigarette usage dropped from 25.8 percent in 2011 to 19.3 percent in 2014. The latest high school cigarette usage rate for Minnesota is now 9.6 percent. (2017 Minnesota Youth Tobacco Survey).

NDMA supports HB 1422. 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 1422**

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 1422 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.

In addition to the worthy goals of this bill, as introduced, we appreciate the prime sponsor's interest in using it as a means of permanently funding Medicaid Expansion, a critical program for well over 20,000 North Dakotans that has provided much needed healthcare stability amidst the pandemic. While this is one of many ideas being discussed to permanently fund Medicaid Expansion, it is one we hope the committee favorably considers.

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 1422**  
**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 1422. 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 1422 increases the tax by \$1.00 per pack and increases the excise tax on all other tobacco products 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 1422 and encourage a DO PASS recommendation.





## ND PETROLEUM MARKETERS ASSOCIATION

1014 East Central Avenue • PO Box 1956 • Bismarck, ND 58502  
Telephone 701-223-3370 • [www.ndpetroleum.org](http://www.ndpetroleum.org) • Fax 701-223-5004

#6082

### 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 1422**

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 1422 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

My comments will focus on the impact on cigarette excise tax increases. However, these comments also apply to Other Tobacco Products and Vapor Product tax increases.

#### 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 \$0.84 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. In addition, this proposal raises the tax on MST from \$.60 per ounce to \$1.96 per ounce. That is a 227% increase.

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 \$215,000. The trunk of a Ford Taurus can bring back cigarettes with an excise tax advantage of over \$4,000.<sup>1</sup>

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.<sup>2</sup>

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

These proposals to raise the excise tax on cigarettes to \$1.44 per pack is a 227% increase in the excise tax. Over the past 10 years, sales taxes on a pack of cigarettes has increased from \$0.21 to \$0.26. 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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup>

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

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

---

<sup>1</sup> 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.

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

<sup>3</sup> 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>.

<sup>4</sup> NACS State of the Industry Report –2019, National Association of Convenience Stores, 33rd Edition, Table 9A.

<sup>5</sup> Retail locations based on internal PMUSA data and rounded to nearest 10.



American Cancer Society  
Cancer Action Network  
218.343.8365  
[Fightcancer.org/northdakota](https://fightcancer.org/northdakota)

North Dakota House Finance and Taxation  
HB 1422  
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 \$1.00 cigarette tax increase in House Bill 1422.

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.<sup>i</sup> And a recent analysis from the American Cancer Society estimates 26.4% of cancer deaths in North Dakota were attributable to smoking in 2017.<sup>ii</sup>

Here in North Dakota 17% of adults smoke and 35.5% of high school students use tobacco products.<sup>iii</sup> 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.<sup>iv</sup> 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.<sup>v</sup> Additionally, North Dakota experiences \$232.6m in productivity losses due to smoking each year.<sup>vi</sup> Significantly increasing tobacco taxes is a proven strategy for generating revenue while saving lives and health care dollars.

A \$1.00 per pack increase in North Dakota's cigarette tax would prevent 1,500 kids from becoming adults who smoke, help 2,800 adults who smoke quit, and save 1,100 lives. Additionally, this cigarette tax increase would save North Dakota \$91.57 million in long term health care costs and generate \$30.23 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 28% of their wholesale price 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. Taxing all of these products at 28% of wholesale in line with the current rate for smoking tobacco and cigars would provide a parallel tax rate for all tobacco products. 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 \$1.00 cigarette increase in HB 1422.

---

<sup>i</sup> American Cancer Society. Cancer Facts and Figures 2021. Atlanta: American Cancer Society; 2021.

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

<sup>iii</sup> 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>

<sup>iv</sup> 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/](https://www.cdc.gov/tobacco/data_statistics/fact_sheets/health_effects/effects_cig_smoking/)

<sup>v</sup> Campaign for Tobacco-Free Kids. The Toll of Tobacco in North Dakota. Updated October 20, 2020.

<sup>vi</sup> Campaign for Tobacco-Free Kids. The Toll of Tobacco in North Dakota. Updated October 20, 2020.

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Room JW327E, State Capitol

HB 1422  
2/9/2021 PM

A bill relating to the tax imposed on cigarettes and tobacco products.
--

**Chairman Headland** opened the hearing at 3:47pm.

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:

- Reconsideration
- Committee decision

**Representative Dockter** made a motion for reconsideration.

**Representative Hatlestad** seconded the motion.

**Voice vote-motion** carried.

**Representative Dockter** made a motion for a DO NOT PASS.

**Representative B. Koppelman** seconded the motion.

### Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	N
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	Y
Representative Marvin E. Nelson	N
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

**Motion carried 9-5-0**

**Representative Ertelt is the bill carrier.**

**Chairman Headland** closed discussion at 3:50pm.

*Mary Brucker, Committee Clerk*



**REPORT OF STANDING COMMITTEE**

**HB 1422: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **DO NOT PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1422 was placed on the Eleventh order on the calendar.