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January 29th, 2020

Senator Guy Guzzone
Chair, Budget and Taxation
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: SB 3 – Electronic Smoking Devices, Other Tobacco Products, and Cigarettes – Taxation and Regulation – Letter of Support

Dear Chair Guzzone:

The Maryland State Advisory Council on Health and Wellness (the Council) is submitting this letter of support for Senate Bill 3 (SB 3) entitled “Electronic Smoking Devices, Other Tobacco Products, and Cigarettes - Taxation and Regulation.” This bill proposes a number of measures to bring parity in taxation among all tobacco products, including doubling the tobacco tax rate for cigarettes to \$4/pack and increasing the tax rate for other tobacco products to 86% of wholesale price. SB 3 also introduces a new tax for Electronic Smoking Devices (ESDs) at 86% of wholesale price. A portion of the new tax revenue generated through SB 3 would increase the minimum amount allocated to the Governor’s annual budget for tobacco control from \$10 million to \$21 million beginning in fiscal year 22 (FY 22).

The Council extends its support for SB 3, as it seeks to promote health and prevent disease by reducing use of tobacco products through tax increases. The ramifications of this bill would have a profound impact on tobacco use statewide, and may aid in combatting the worsening trend of youth ESD use. The Council agrees with the following statements as they relate to the passage of SB 3:

- Increasing tobacco tax and price is a highly effective tool for reducing tobacco use, including reductions in use among vulnerable and lower income populations.ⁱ
- Cigarette tax increases have been shown to decrease tobacco use in both adults as well as youth. Each 10 cent increase results in a two percent reduction in consumption by adults and seven percent reduction among youth.^{ii,iii}
- Tax increases on other tobacco products, such as cigars and smokeless tobacco, yield similar results in terms of reducing prevalence and consumption.^{iv}
- Maryland experienced a 73 percent increase in current high school ESD use between the 2016-2017 and 2018-2019 school years, emphasizing the need to implement evidence-based tobacco prevention and control strategies, such as increased taxes, to combat the youth e-cigarette epidemic.^v
- Many youth report being unaware that nearly all ESDs contain nicotine, and the myth that they emit water vapor persists. Taxing e-cigarettes helps to correct such dangerous falsehoods about ESDs, and align them with other tobacco and nicotine products.
- An ESD tax will not create an underground market as this home-manufactured market already exists and is thought to be responsible for the e-cigarette and vaping related lung injury (EVALI) outbreak.
- Claims that ESDs help adults successfully quit smoking have not been substantiated – ESDs are not an FDA-approved cessation device.

- Tobacco taxes should increase over time to continue producing the intended effect of encouraging cessation among current smokers, and preventing vulnerable populations, especially youth, from starting to use these products.^{vi,1}
- When tax revenue supports tobacco control programs, the impact of both is strengthened.^{vii} In Oregon, the combination of a tax increase and added support to the state’s tobacco prevention and education program decreased taxable per capita cigarette consumption by 11 percent.^{viii} In New York City, local tax increases along with tobacco program activities resulted in a decline in cigarette smoking by 19 percent between 2002 and 2006.^{ix}

Health care costs in Maryland directly caused by tobacco use, combined with smoking-caused productivity losses, are estimated at more than \$5 billion annually – and can be expected to grow if today’s youth develop a lifelong nicotine addiction as a result of the youth ESD epidemic.^x This fiscal burden on Maryland employers, governmental health insurance programs, and individuals and families could be offset through increased efforts to reduce the use of tobacco. Data indicate that more substantial investments in comprehensive state tobacco control programs lead to quicker and greater declines in both smoking rates as well as smoking-related disease and death.^{xi,xii} Furthermore, adequately funded state tobacco programs can save 14 to 20 times the cost of implementing them.^{xiii} Comparable initiatives in other states have documented a return on investment greater than \$5 for every \$1 spent on state tobacco programs.^{xiv}

The Council supports SB 3 and its proposed tobacco tax increases and annual budget allocation to reduce tobacco use in Maryland. We strongly urge the committee to support this important public health bill.

Sincerely,



Jessica Kiel, R.D., Chair, Maryland Advisory Council on Health and Wellness

ⁱ U.S. National Cancer Institute and 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_exec_sum.pdf.

ⁱⁱ 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-jchaloupka-phd> and <http://tobacconomics.org/>.

ⁱⁱⁱ Campaign for Tobacco Free Kids, RAISING CIGARETTE TAXES REDUCES SMOKING, ESPECIALLY AMONG KIDS (AND THE CIGARETTE COMPANIES KNOW IT), Fact Sheet available at <https://www.tobaccofreekids.org/assets/factsheets/0146.pdf>.

^{iv} Chaloupka FJ. How Effective are Taxes in Reducing Tobacco Consumption? In: Jeanrenaud C, Soguel N, eds. *Valuing the Cost of Smoking: Assessment Methods, Risk Perception and Policy Options*. Dordrecht: Springer Netherlands; 1999:205-218.

^v 2018-2019 Maryland Youth Risk Behavior/Youth Tobacco Survey (YRBS/YTS), unpublished data, retrieved 2January2020.

^{vi} The Importance of Tobacco Taxes. 13 January 2020 <https://truthinitiative.org/research-resources/tobacco-prevention-efforts/importance-tobacco-taxes>

^{vii} Dilley JA et al. Program, Policy, and Price Interventions for Tobacco Control: Quantifying the Return on Investment of a State Tobacco Control Program. *Am J Public Health*. 2012 February; 102(2): e22–e28.

^{viii} Centers for Disease Control and Prevention. Decline in cigarette consumption following implementation of a comprehensive tobacco prevention and education program—Oregon, 1996-1998. *MMWR Morbidity and mortality weekly report*. 1999;48(7):140-143.

^{ix} Centers for Disease Control and Prevention. Decline in smoking prevalence—New York City, 2002-2006. *MMWR morbidity and mortality weekly report*. 2007;56(24):604-608.

^x Campaign for Tobacco Free Kids, Tobacco Toll, <https://www.tobaccofreekids.org/problem/toll-us/maryland>.

^{xi} Centers for Disease Control and Prevention. *Best Practices for Comprehensive Tobacco Control Programs—2014*. 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 https://www.cdc.gov/tobacco/stateandcommunity/best_practices/pdfs/2014/comprehensive.pdf.

^{xii} Farrelly MC, Pechacek TF, Chaloupka FJ. The impact of tobacco control program expenditures on aggregate cigarette sales: 1981–2000. *Journal of Health Economics* 2003;22(5):843–59.

^{xiii} Chattopadhyay, S. and Pieper, D., “Does Spending More on Tobacco Control Programs Make Economic Sense? An Incremental Benefit-Cost Analysis Using Panel Data,” *Contemporary Economic Policy*, 2011.

^{xiv} Dilley JA et al. Program, Policy, and Price Interventions for Tobacco Control: Quantifying the Return on Investment of a State Tobacco Control Program. *Am J Public Health*. 2012 February; 102(2): e22–e28.