

THE NATIONAL CENTER

FOR PUBLIC POLICY RESEARCH

To: Senate Federal and State Affairs Committee, Attn: Connie Burns
 From: Jeff Stier, Senior Fellow, National Center for Public Policy Research, Director, Risk Analysis Division
 Re: SB462
 Date: March 14, 2012

As the Senate considers provisions of SB462, I urge members to consider the unintended consequences of equalizing the tax rates on products with inherently different risk profiles. The legislation increases the taxes on Other Tobacco Products (non-cigarettes) from 10% to 30%, essentially taxing products such as smokeless tobacco the same as cigarettes, which are far more harmful.

Cigarettes are by far the most dangerous form of tobacco use. A tax structure which treats OTP the same as cigarettes misaligns the incentives which justify these types of taxes.

It is my view that sin taxes are a bad idea. But if the underlying purpose of a sin tax is to discourage risky behavior, the tax rate on each product ought to be in line with the risk of that behavior.

The provision in this legislation which would increase sin taxes on OTP, which has the effect of taxing less harmful products and cigarettes equally, ignores the established science that cigarettes are by far the most dangerous way to use tobacco. Cigarettes, which are burned and inhaled, are far more dangerous than smokeless tobacco, which experts estimate as 99 percent less harmful than smoking.

Increasing revenues, especially in difficult financial times, is a temptation few lawmakers can resist. But until sin taxes are done away with, they should at least be applied based on rationality and science.

For these reasons, I urge the committee not to pass the tax increase on OTPs.