



HB 2074 and HB 2134

The Fallacy and Dangers of Taxing E-cigarette (Vaping) Products to Replace Lost Cigarette Tax Revenue

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Summary

- E-cigarettes (vaping products) are NOT tobacco products.
- Taxing e-cigarettes will drive sales to Internet & black market which will put many businesses out of business.
- Various accessories and attachments for e-cigarettes are sold separately. As such they don't fit the definition of a "vaping product."
- E-cigarette tax won't even come close to covering what's lost from cigarette tax revenue.
- This bill is unfairly picking on the e-cigarette industry.



E-cigarettes Are NOT Tobacco Products

- E-cigarettes do not contain tobacco, but they do contain nicotine.
- Gum & patches contain nicotine but they aren't considered "tobacco products."
- Many of the solanaceae (nightshade) family of plants contain nicotine, including potato, tomato, eggplant, & petunia. They are not considered "tobacco products."
- Even though e-cigarettes may contain nicotine, they are NOT tobacco products!



Taxing E-cigarettes Will Drive Business to The Internet & Cause Businesses to Close Down

- Cost of 10 mL bottle of e-liquid in stores = about \$5.60.
- With the proposed tax, that is about **\$7.05 per bottle** .
- Cost of 10 mL bottle of Chinese e-liquid online = about \$3.00 plus an average of \$1.00 per bottle for shipping. A total of about **\$4.00 per bottle**.
- This will drive sales from local stores to the Internet, thus losing our businesses and jobs in Oregon!
- Black market e-liquid sales (Amazon, Facebook, Ebay, etc.) will soar as well!
- Just the tax on current inventory will close down most e-cigarette and vape shops (lost jobs & business tax revenue.)



Much of E-cigarette Sales Are For Attachments and Accessories Not Covered by This Tax

- Both HB 2074 and HB 2134 define **Vapor product** as *“An electronic device designed to heat nicotine solutions and other solutions for the purpose of producing vapor to be inhaled by the user of the device.”*
- Many of the products sold in e-cigarette and vape stores don't fit this definition.
 - A battery does not fit this description (some of these batteries are also used in flashlights).
 - Other things that, by themselves, don't fit this description include:
 - Cases, lanyards, drip tips, cartomizers, atomizer heads, mechanical mods, box mods, kanthal wire, wicking material, RDA's, chargers & charging accessories.
- E-liquid sales account for a majority of e-cigarette revenue.



This Tax Won't Replace Lost Tobacco Tax Revenue

- Oregon cigarette tax is 65% of wholesale price.
- That's about **\$1.30 tax per pack** of cigarettes.
- A 10 mL bottle of e-liquid wholesales for about \$2.50. At a 65% tax rate that equates to about **\$1.62 tax per 10 mL bottle**.
- Vaping a 10 mL bottle is equivalent to smoking about 6 packs of cigarettes.
- Six packs of cigarettes = \$8.70 in tax.
- One 10 mL bottle of e-liquid = \$ 1.62 in tax.
- E-cigarette (e-liquid) tax will collect less than 1/5 of the revenue lost due to reduced cigarette sales.
- The loss of businesses resulting from this tax will reduce business tax and personal income tax revenue for Oregon.
- It's a bad tax that won't accomplish its intended purpose.



Picking on Vape Industry

- Tobacco tax is a sin tax.
 - A number of recent studies have shown that e-cigarettes are not nearly as harmful and deadly as tobacco.
 - Even the American Heart Association says *“The use of e-cigarettes in those unable or unwilling to quit [cigarettes] should be supported rather than discouraged.”*
- See: <http://www.ecigarette-research.com/web/index.php/2013-04-07-09-50-07/2014/175-aha-ecigs>
- Just because they are an alternative to cigarettes doesn't mean they should be taxed in their place.
 - This tax only benefits Big Tobacco by making their unhealthy product look more attractive.
 - We'd be better off with another sin tax, like a tax on unhealthy soft drinks (California is already doing this) or junk food.
 - The original justification for the cigarette tax was to discourage the use of cigarettes. Now that cigarette use is on the decline, do we really want to drive people back to smoking cigarettes?



Conclusion

- Both HB 2074 and HB 2134 are bad bills that will:
 - Cost Oregon jobs.
 - Prevent some people from choosing a healthier alternative to deadly cigarettes.
 - Will not even come close to accomplishing the intended purpose of replacing lost cigarette tax revenue.