Chairwoman Kirchhofer, Vice Chairman Bacon, members of the committee, thank you for giving me the opportunity to provide testimony today.

My name is Lindsey Stroud. I am a state government relations manager at The Heartland Institute. The Heartland Institute is a 34-year-old national nonprofit research and education organization with a mission to discover, develop and promote free-market solutions to issue areas including budget and tax, energy and environment, education, health care, and constitutional reform. The Heartland Institute is headquartered in Illinois and focuses on providing national, state, and local elected officials with reliable and timely research and analyses on these policy issues.

Many states have proposed legislation which raises tobacco taxes and the age to purchase tobacco products. Often, legislation provides for the inclusion of e-cigarettes and vaping devices, or tobacco harm reduction products.

Such proposals limit individual freedom, fail to curb consumption, are highly regressive, ignore potential health gains, cost the state millions of dollars in lost revenue and create negative externalities.

- Increasing the age to smoke cigarettes and vaping products limits individual freedom and has little effect on curbing consumption. At 18, individuals can serve in war; they are tried as adults in courts, and can amass tremendous debt in contractual loans. More so, raising the age of tobacco cigarettes does not necessarily provide the health benefits that officials aim to see. In its Monitoring the Future Study: Trends in Prevalence of Various Drugs, the National Institute on Drug Abuse noted 58 percent of 12th graders reported consuming alcohol in 2015. They also found 35 percent of respondents having used marijuana in 2015; more than 21 percent said they had used the drug within a month of taking the survey. In every state, alcohol and marijuana are both illegal for persons 18 years and younger to use, including states where marijuana is legal. But it appears merely passing laws has done almost nothing to curb consumption. Why would lawmakers expect different results when it comes to tobacco cigarettes? It is also important to note that the Centers for Disease Control and Prevention found that “from 2011 to 2016, current cigarette smoking declined among middle and high school students.” Thus, there
is no reason why local and state governments should increase the smoking age, as youth rates are currently declining without these changes. More importantly, the age of first-time tobacco consumption does not seem to be connected to adult first-time usage. The Surgeon General reports almost 90 percent of smokers began smoking before 18. According to some data, 99 percent of all cigarette smokers begin smoking by the age of 26.

- Cigarette taxes are highly regressive. They disproportionately affect moderate-and low-income individuals. According to the Bureau of Labor Statistics, “households earning less than $150,000 a year make 95.8 percent of tobacco expenditures.” States have also relied heavily on cigarette taxes as a source of revenue, but such policies are very unsustainable. The U.S. Census Bureau found that in 2013 state revenue from tobacco products sales tax decreased by 0.9 percent, to $17 billion. The National Taxpayers Union Foundation has found initial revenue projections were met in only 29 of 101 cases where cigarette and tobacco taxes were increased between 2001 and 2011.

- The inclusion of e-cigarettes and vaping devices to policies that regulate combustible cigarettes ignores the public health gains tobacco harm reduction products can provide to millions of smokers. Growing evidence finds e-cigarettes to be significantly less harmful than tobacco cigarettes. In 2015, Public Health England declared e-cigarettes as less harmful than tobacco cigarettes, noting its research found “the current best estimate [shows] using e-cigarettes is around 95% safer than smoking.” A 2016 report by the Tobacco Advisory Group of the Royal College of Physicians found health hazards from e-cigarettes were “unlikely to exceed 5% of the harm from smoking tobacco,” and these products have created “a massive opportunity for a consumer – as well as healthcare – led revolution in the way nicotine is used in society.” In 2017, NHS Health Scotland issued a joint statement with other health agencies declaring “vaping e-cigarettes is less harmful than smoking tobacco.” And most recently, the National Academy of Science released a significant report in 2018 that found “substantial evidence that completely switching from regular use of combustible tobacco cigarettes to e-cigarettes results in reduced short-term adverse health outcomes in several organ systems.”

- Indiana will lose revenue from such policies. As an Illinois resident, it is common to see persons of this state purchase numerous products in Indiana, including gas and tobacco cigarettes. This tax increase will foster a black market. Black markets force lawmakers to implement additional measures to combat negative externalities. This is already troublesome in areas that have high cigarette sales taxes, compared to neighboring communities, such as Cook County, Illinois. Cook County has a $3 tax on tobacco products, creating some of the highest cigarette prices in the country. It also has a Cigarette Tax Reward Program, which offers monetary awards of up to $250 to persons reporting those seeking to avoid paying cigarette taxes, including people who use unstamped or counterfeit packs or even stray cigarettes. And while it has been reported $4 million in tobacco citations are written up in Chicago each year, only 15–20
percent actually end up getting paid. The inclusion of e-cigarettes and vaping devices will also cost the Indiana additional money as research indicates e-cigarettes could save taxpayers billions of dollars. J. Scott Moody, chief executive officer and chief economist at State Budget Solutions, estimated savings to Medicaid could have amounted to $48 billion in 2012 if e-cigarettes and vaping devices had been adopted in place of cigarettes.

Legislation that increases taxes and the age of consumption of tobacco cigarettes and vaping devices is highly regressive and comes to a cost to public health gains while ineffective at succeeding at the goal that the legislation wants to implement. Thank you for your time today.

For more information about The Heartland Institute’s work, please visit our website at www.heartland.org, or contact Lindsey Stroud by phone at 757/354-8170 or by email at lstroud@heartland.org