

**Testimony before the Montgomery County Council
Regarding Taxing Electronic Cigarettes and Vapor Products
Lindsey Stroud, Policy Analyst
Taxpayers Protection Alliance
April 27, 2021**

Montgomery County Council President Hucker, Vice President Albornoz, and Members:

Thank you for your time today to discuss the issue of taxing electronic cigarettes and vapor products. My name is Lindsey Stroud and I am a Policy Analyst with the Taxpayers Protection Alliance (TPA). TPA is a non-profit, non-partisan organization dedicated to educating the public through the research, analysis and dissemination of information on the government's effects on the economy.

Montgomery County Council President Tom Hucker notes the revenue collected from the tax increase will be used "to address [Montgomery County's] increasingly costly health needs."¹ Further, Montgomery County Schools has established youth use of age-restricted products such as e-cigarettes "the latest public health threat."²

E-cigarettes are significantly less harmful than combustible cigarettes and have helped many smokers quit smoking and remain smoke-free. Moreover, vapor taxes are unlikely to reduce youth use, as indicated by cross examining existing vapor taxes and youth use surveys. Lawmakers should refrain from imposing sin taxes on such products and dedicate more of existing tobacco monies, including current excise taxes and tobacco settlement payments, towards more robust tobacco control programs, including cessation, education, and prevention initiatives.

Tobacco Economics 101: Maryland

In 2019, 16.6 percent of adults in Maryland smoked tobacco cigarettes, amounting to 781,791 smokers in 2019.³ When figuring a pack-per-day, more than 5.7 billion cigarettes were smoked in 2019 by Marylanders, or about 15.6 million per day.⁴

In 2019, Maryland imposed a \$2.00 excise tax on a pack of cigarettes.⁵ In 2019, Maryland collected \$570.7 million in cigarette excise taxes, when figuring for a pack-a-day habit. This amounts to \$730 per smoker per year.

Maryland spent \$10.5 million on tobacco control programs in 2019, or \$13.43 per smoker per year. This is only 33 percent of what the state received in excise taxes in 2019 from Maryland adult smokers, based off a pack-a-day habit. When figuring amount spent on youth in the state, Maryland spent \$7.87 per year for each resident under 18 years of age.

Vapor Economics 101: Maryland

Electronic cigarettes and vapor products are not only a harm reduction tool for hundreds of thousands of smokers in the Old Line State, they're also an economic boon.

According to the Vapor Technology Association, in 2018, the industry created 1,243 direct vaping-related jobs, including manufacturing, retail, and wholesale jobs in Maryland, which generated \$54 million in wages alone.⁶ Moreover, the industry has created hundreds of secondary jobs in the Old Line State, bringing the total economic impact in 2018 to \$389,390,600. In the same year, Maryland received more than \$31 million in state taxes attributable to the vaping industry. **(See Supplemental Graph 1)**

Switching from combustible cigarettes to electronic cigarettes and vapor products will also reduce smoking-related health issues and save persons and states money. WalletHub estimated the “true cost of smoking” including “...cost of a cigarette pack per day, health care expenditures, income losses and other costs.”⁷ WalletHub estimated the true cost for smoker in Maryland to be \$51,163 per-smoker per-year.

In 1995, 21.3 percent⁸ of Maryland adults smoked combustible cigarettes, amounting to approximately 802,868 adults.⁹ In 1995, among all adults, 18 percent (678,480 adults) reported smoking every day. In 2019, 12.7 percent of adults in the Old Line State were current smokers, amounting to 598,296 smokers. Further, 8.2 percent of Maryland adults (386,301 adults) were daily smokers in 2019.

Among Maryland adults, current smoking decreased by 40.4 percent between 1995 and 2019. Moreover, there are an estimated 204,572 fewer smokers in 2019, compared to 1995, and 292,179 fewer daily smokers. Using the WalletHub figures, this reduction represents an estimated \$10.5 billion in yearly savings.

Youth Tobacco and Vaping Rates

The most recent data on youth tobacco and vapor product use in Maryland comes from the 2019 Youth Risk Behavior Survey.¹⁰ In 2019, 39.7 percent of Maryland high school students reported ever-trying e-cigarettes, 23 percent reported past 30-day use, and 3.7 percent reported using vapor products daily.

Youth combustible cigarette use is at an all-time low. In 2019, five percent of Maryland high school students reported past 30-day cigarette use, this a nearly 58 percent decrease from 2013 when 11.9 percent of high school students in Maryland used cigarettes in the past 30 days. Further, daily cigarette use among Maryland high school students decreased by 68 percent from 2.5 percent in 2013 to 0.8 percent in 2019. **(See Supplemental Graph 2)**

Vapor Product Emergence Correlates with Lower Young Adult Smoking

Electronic cigarettes and vapor products were first introduced to the U.S. in 2007 “and between 2009 and 2012, retail sales of e-cigarettes expanded to all major markets in the United States.”¹¹

Examining data from the Centers for Disease Control and Prevention's Behavioral Risk Factor Surveillance Survey finds that e-cigarettes' market emergence has been more effective than MSA payments in reducing smoking rates among young adults in Maryland.

In 1998, among current adult smokers in Maryland, 25.6 percent were 18 to 24 years old. In 2008, this had decreased by 37.9 percent to 15.9 percent of adult smokers in Maryland being between 18 to 24 years old. And, 10 years after e-cigarette's market emergence in 2009, smoking rates among current smokers aged 18 to 24 years old decreased by 63.5 percent. Indeed, in 2009, among current smokers in Maryland, 15.9 percent were between 18 to 24 years old. In 2019, only 5.8 percent of current smokers were 18 to 24 years old.

Further e-cigarettes' market emergence was associated with a larger decline in average annual percent decreases. Between 1998 and 2008, the percentage of current smokers aged 18 to 24 years old decreased on average 1.84 percent each year. Between 2009 and 2019, annual percentage declines average at 6.7 percent. **(See Supplemental Graph 3)**

Low Income Marylanders More Impacted by Tobacco and Vapor Taxes

An increase on tobacco and vapor products would unfairly burden lower income Washingtonians. Excise taxes are inherently regressive and tend to burden lower income persons. For example, a Cato Journal article found from 2010 to 2011, "smokers earning less than \$30,000 per year spent 14.2 percent of their household income on cigarettes, compared to 4.3 percent for smokers earning between \$30,000 and \$59,999 and 2 percent for smokers earning more than \$60,000."¹²

In Maryland, in 2019, among current adult smokers, 25.4 percent reported annual incomes of less than \$15,000 and 21.4 percent of current smokers reported earning between \$15,000 and \$24,999 per year.¹³ Indeed, 46.8 percent of all current adult smokers earned less than \$24,999 per year in 2019.

Further, tax increases did not lead to significant declines in smoking rates among lower income persons. For example, in 2008, Maryland increased the cigarette tax by \$1.00, to \$1.41-per-pack. By 2010, two years after the tax increase, smoking rates among persons earning less than \$24,999 per year increased by 27.4 percent from 47.4 percent of adult smokers to 60.4 percent of adult smokers. Among smokers earning \$50,000 or more, smoking rates decreased by 5.3 percent, from 11.3 percent in 2008 to 10.7 percent in 2010. The rates have continued to decline, and in 2019, among current adult smokers, only 8.6 percent reported earning \$50,000 or more. **(See Supplemental Graph 4)**

Excise Taxes Are Unreliable Sources of Revenue

Existing excise taxes are unreliable revenue sources. Cigarette tax increases result in long-term revenue shortfalls. From 2001 to 2011, "revenue projections were met in only 29 of 101 cases where cigarette/tobacco taxes were increased," according to the National Taxpayer Union

Foundation.¹⁴ Moreover, a decline in cigarette consumption caused cigarette tax revenues “to drop by an average of about 1 percent across all states from 2008 to 2016,” according to a report by Pew Charitable Trusts.¹⁵ A 2020 report by the Tax Foundation noted that cigarette tax revenue has fallen in all states and considers cigarette tax revenue to be “so unstable.”¹⁶

Between 2000 and 2020, Maryland collected an estimated \$4.582 billion in cigarette tax stamps.¹⁷ During the same 20-year time period, the Old Line State increased the tax rate twice, which has not led to a significant increase in revenue.

In 2002, cigarette tax rates increased by \$0.34 to \$1.00 per pack. In 2002, Maryland collected \$301 million in revenue attributed to the cigarette tax stamp, an increase of 19.2 percent from the \$252.6 million the state received in 2001.

In 2008, Maryland increased cigarette tax rates by \$1.00 to \$2.00 per pack. Cigarette tax revenue declined by 10.3 percent from \$271 million in 2007 to \$243 million in 2008. Cigarette tax revenue has continued to decline and in 2020, Maryland collected \$155.3 million in cigarette taxes, a 37.1 percent decline from 2008. Further, since 2010, cigarette tax revenue collections in Maryland have decline, on average, 1.8 percent annually.

Wasted Tobacco Dollars

Deeply problematic with the proposed legislation is the fact that Maryland spends very little on tobacco control, including education and prevention.

Between 2000 and 2019, Maryland allocated only \$276 million towards tobacco control programs.¹⁸ This is only 4.4 percent of what Maryland collected in cigarette taxes in the same 19-year time span and only 9.7 percent of MSA payments. To put it in further perspective, in 19 years, Maryland allocated only three percent of tobacco settlement payments and taxes on programs to prevent tobacco use. **(See Supplemental Graph 5)**

Taxes on E-Cigarettes Unlikely to Deter Youth Use

Many lawmakers have attempted to thwart youth use of electronic cigarettes and vapor products by apply sin taxes to such products. Although addressing youth use is laudable, many youths in Alaska are *not regularly using* e-cigarettes. Further, data from youth surveys indicate that excise taxes don’t reduce youth use of vapor products.

The most recent data on youth tobacco and vapor product use in Alaska comes from the 2019 Youth Risk Behavior Survey.¹⁹ In 2019, 45.8 percent of Alaskan high school students reported ever-trying e-cigarettes, 26.1percent reported past 30-day use, and 4.5 percent reported using vapor products daily.

It is worthy to note that youth combustible cigarette use is at an all-time low. In 2019, 27.5 percent of Alaska high school students reported ever trying cigarettes, a 62 percent decrease from 1995 when 72.1 percent of high school students had tried cigarettes. Further, past 30-day

use of combustibles has decreased by 77 percent, from 36.5 percent in 1991, to 8.4 percent in 2019. Daily cigarette use has decreased by 95 percent, from 16 percent of high school students that reported daily cigarette use in 1991 to 0.8 percent in 2019.

Further, there is no data to indicate that youth use of vapor products decreased after implementing taxes on e-cigarettes and indeed, youth vaping has actually increased after other states implemented vapor taxes. Tobacco Harm Reduction 101 examined the effects of vapor taxes in six states. From 2017 to 2019, current e-cigarette use among high school students increased in five states – even with excise taxes imposed on such products.

Kansas Vapor Tax: \$0.05 per milliliter

Kansas' tax on e-cigarettes and vapor products went into effect July 1, 2017.²⁰

According to Kansas's YRBSS, in 2017, 34.8 percent and 10.6 percent of high school students reported ever and current e-cigarette product use, respectively.²¹

In 2019, ever-use increased by 28.4 percent, to 48.6 percent of Kansas high school students and current e-cigarette use increased by 51.8 percent, to 22 percent of high school students using an e-cigarette on at least one occasion in the 30 days prior.

Louisiana Vapor Tax: \$0.05 per milliliter

Louisiana's tax on e-cigarettes and vapor products went into effect August 1, 2015.²²

According to Louisiana's YRBSS, in 2017, 45.1 percent and 12.2 percent of high school students reported ever and current e-cigarette product use, respectively.²³

In 2019, ever-use increased by 13.3 percent, to 52 percent of Louisiana high school students and current e-cigarette use increased by 46.7 percent, to 22.9 percent of high school students using an e-cigarette at least one occasion in the 30 days prior.

North Carolina Vapor Tax: \$0.05 per milliliter

North Carolina's tax on e-cigarettes and vapor products went into effect July 1, 2015.²⁴

According to North Carolina's YRBSS, in 2015, 49.4 percent and 29.6 percent of high school students reported ever and current e-cigarette product use, respectively. In 2017, ever-use decreased by 12 percent, to 44.1 percent of North Carolina high school students and current e-cigarette use decreased by 33.9 percent, to 22.1 percent of high school students using an e-cigarette in the last 30 days.²⁵

In 2019, 52.4 percent of high school students reporting having ever used an e-cigarette, this is a 15.8 percent increase from 2017, and a 5.7 percent increase from 2015 rates. Regarding current e-cigarette use, in 2019, 35.5 percent of North Carolina high school students reported using an e-cigarette on at least one occasion in the 30 days prior, this is a 37.7 percent increase from 2017 rates, and a 16.6 percent increase from 2015 rates.

Pennsylvania Vapor Tax: 40 percent of purchase price

Pennsylvania's tax on e-cigarettes and vapor products went into effect October 1, 2016.²⁶

According to Pennsylvania's YRBSS, in 2015 40.8 percent and 23.1 percent of high school students reported ever and current e-cigarette product use, respectively. In 2017, ever-use increased by 2.4 percent, to 41.8 percent of Pennsylvania high school students, and current e-cigarette use decreased by 104 percent, to 11.3 percent of high school students using an e-cigarette in the last 30 days.²⁷

In 2019, 52.6 percent of high school students reporting having ever used an e-cigarette, this is a 20.5 percent increase from 2017, and a 22.4 percent increase from 2015 rates. Regarding current e-cigarette use, in 2019, 24.4 percent of Pennsylvania high school students reported using an e-cigarette on at least one occasion in the 30 days prior, this is a 53.7 percent increase from 2017 rates, and a 5.3 percent increase from 2015 rates.

West Virginia Vapor Tax: \$0.075 per milliliter

West Virginia's tax on e-cigarettes and vapor products went into effect July 1, 2016.²⁸

According to West Virginia's YRBSS, in 2015, 49.1 percent and 31.2 percent of high school students reported ever and current e-cigarette product use, respectively. In 2017, ever-use decreased by 10.6 percent, to 44.4 percent of West Virginia high school students, and current e-cigarette use decreased by 118.2 percent, to 14.3 percent of high school students using an e-cigarette in the last 30 days.²⁹

In 2019, 62.4 percent of high school students reporting having ever used an e-cigarette, this is a 28.8 percent increase from 2017, and a 21.3 percent increase from 2015 rates. Regarding current e-cigarette use, in 2019, 35.7 percent of West Virginia's high school students reported using an e-cigarette on at least one occasion in the 30 days prior, this is a 59.9 percent increase from 2017 rates, and a 12.6 percent increase from 2015 rates.

E-Cigarettes and Tobacco Harm Reduction

The evidence of harm associated with combustible cigarettes has been understood since the 1964 U.S. Surgeon General's Report that smoking causes cancer. Research overwhelmingly shows the smoke created by the burning of tobacco, rather than the nicotine, produces the harmful chemicals found in combustible cigarettes.³⁰ There are an estimated 600 ingredients in each tobacco cigarette, and "when burned, [they] create more than 7,000 chemicals."³¹ As a result of these chemicals, cigarette smoking is directly linked to cardiovascular and respiratory diseases, numerous types of cancer, and increases in other health risks among the smoking population.³²

For decades, policymakers and public health officials looking to reduce smoking rates have relied on strategies such as emphasizing the possibility of death related to tobacco use and implementing tobacco-related restrictions and taxes to motivate smokers to quit using cigarettes.

However, there are much more effective ways to reduce tobacco use than relying on government mandates and “quit or die” appeals.

During the past 30 years, the tobacco harm reduction (THR) approach has successfully helped millions of smokers transition to less-harmful alternatives. THR includes effective nicotine delivery systems, such as smokeless tobacco, snus, electronic cigarettes (e-cigarettes), and vaping. E-cigarettes and vaping devices have emerged as especially powerful THR tools, helping nearly three million U.S. adults quit smoking from 2007 to 2015.

Indeed, an estimated 10.8 million American adults were using electronic cigarettes and vapor products in 2016.³³ Of the 10.8 million, only 15 percent, or 1.6 million adults, were never-smokers, indicating that e-cigarettes are overwhelmingly used by current and/or former smokers.

E-cigarettes were first introduced in the United States in 2007 by Ruyan, a Chinese manufacturer.³⁴ Soon after their introduction, Ruyan and other brands began to offer the first generation of e-cigarettes, called “cigalikes.” These devices provide users with an experience that simulates smoking traditional tobacco cigarettes. Cig-alikes are typically composed of three parts: a cartridge that contains an e-liquid, with or without nicotine; an atomizer to heat the e-liquid to vapor; and a battery.

In later years, manufacturers added second-generation tank systems to e-cigarette products, followed by larger third-generation personal vaporizers, which vape users commonly call “mods.”³⁵ These devices can either be closed or open systems.

Closed systems, often referred to as “pod systems,” contain a disposable cartridge that is discarded after consumption. Open systems contain a tank that users can refill with e-liquid. Both closed and open systems utilize the same three primary parts included in cigalikes—a liquid, an atomizer with a heating element, and a battery—as well as other electronic parts. Unlike cigalikes, “mods” allow users to manage flavorings and the amount of vapor produced by controlling the temperature that heats the e-liquid.

Mods also permit consumers to control nicotine levels. Current nicotine levels in e-liquids range from zero to greater than 50 milligrams per milliliter (mL).³⁶ Many users have reported reducing their nicotine concentration levels after using vaping devices for a prolonged period, indicating nicotine is not the only reason people choose to vape.

Health Effects of Electronic Cigarettes and Vapor Products

Despite recent media reports, e-cigarettes are significantly less harmful than combustible cigarettes. Public health statements on the harms of e-cigarettes include:

Public Health England: In 2015, Public Health England (PHE), a leading health agency in the United Kingdom and similar to the FDA found “that using [e-cigarettes are] around 95% safer than smoking,” and that their use “could help reducing smoking related

disease, death and health inequalities.”³⁷ In 2018, the agency reiterated their findings, finding vaping to be “at least 95% less harmful than smoking.”³⁸

As recent as February 2021, PHE provided the latest update to their ongoing report on the effects of vapor products in adults in the UK. The authors found that in the UK, e-cigarettes were the “most popular aid used by people to quit smoking [and] ... vaping is positively associated with quitting smoking successfully.”³⁹

The Royal College of Physicians: In 2016, the Royal College of Physicians found the use of e-cigarettes and vaping devices “unlikely to exceed 5% of the risk of harm from smoking tobacco.”⁴⁰ The Royal College of Physicians (RCP) is another United Kingdom-based public health organization, and the same public group the United States relied on for its 1964 Surgeon General’s report on smoking and health.

The National Academies of Sciences, Engineering, and Medicine: In January 2018, the academy noted “using current generation e-cigarettes is less harmful than smoking.”⁴¹

A 2017 study in *BMJ*’s peer-reviewed journal *Tobacco Control* examined health outcomes using “a strategy of switching cigarette smokers to e-cigarette use ... in the USA to accelerate tobacco control progress.”⁴² The authors concluded that replacing e-cigarettes “for tobacco cigarettes would result in an estimated 6.6 million fewer deaths and more than 86 million fewer life-years lost.”

An October 2020 review in the *Cochrane Library Database of Systematic Reviews* analyzed 50 completed studies which had been published up until January 2020 and represented over 12,4000 participants.

The authors found that there was “moderate-certainty evidence, limited by imprecision, that quit rates were higher in people randomized to nicotine [e-cigarettes] than in those randomized to nicotine replacement therapy.” The authors found that e-cigarette use translated “to an additional four successful quitters per 100.” The authors also found higher quit rates in participants that had used e-cigarettes containing nicotine, compared to the participants that had not used nicotine.

Notably, the authors found that for “every 100 people using nicotine e-cigarettes to stop smoking, 10 might successfully stop, compared with only six of 100 people using nicotine replacement therapy or nicotine-free e-cigarettes.”

The substitution of e-cigarettes for combustible cigarettes could also save the state in health care costs.

It is well known that Medicaid recipients smoke at rates of twice the average of privately insured persons, according to the Centers for Disease Control and Prevention (CDC). In 2013, “smoking-related diseases cost Medicaid programs an average of \$833 million per state.”⁴³

A 2015 policy analysis by State Budget Solutions examined electronic cigarettes' effect on Medicaid spending. The author estimated Medicaid savings could have amounted to \$48 billion in 2012 if e-cigarettes had been adopted in place of combustible tobacco cigarettes by all Medicaid recipients who currently consume these products.⁴⁴

A 2017 study by R Street Institute examined the financial impact to Medicaid costs that would occur should a large number of current Medicaid recipients switch from combustible cigarettes to e-cigarettes or vaping devices. The author used a sample size of "1% of smokers [within] demographic groups permanently" switching. In this analysis, the author estimates Medicaid savings "will be approximately \$2.8 billion per 1 percent of enrollees," over the next 25 years.⁴⁵

Switching from combustible cigarettes to electronic cigarettes and vapor products will also reduce smoking-related health issues and save persons and states money. WalletHub estimated the "true cost of smoking" including "...cost of a cigarette pack per day, health care expenditures, income losses and other costs."⁴⁶ WalletHub estimated the true cost for smoker in Alaska to be \$58,645 per-smoker per-year.

Between 1995 and 2019, among Alaskan adults, current smoking decreased by 30.7 percent. Moreover, there are there are an estimated 42,470 fewer smokers in 2019, compared to 1995, and 56,259 fewer daily smokers. Using WalletHub figures, this reduction represents nearly \$2.5 billion in yearly savings.

E-Cigarettes Effective Tools at Helping Military Members Quit Smoking

As of September 2017, an estimated 28,888 active duty military members were stationed in the Old Line State.⁴⁷

Smoking rate among military service members continue to decline as e-cigarette use has increased. According to the Rand Corporation's Health Related Behaviors Survey Substance Use Among U.S. Active-Duty, "13.9 percent of service members were current cigarette smokers, and 7.4 percent smoked cigarettes daily."⁴⁸ Among the general population, 16.8 percent of Americans were current smokers, and 12.9 percent were daily smokers.

The finding is significant because military service members now smoke at lower rates than the general population. Historically, smoking rates among service members have been higher than the national average. In 2011, 24.5 percent "of service members reported cigarette use in the past 30 days," compared to 20.6 percent of civilians.⁴⁹

The Rand analysis also finds a significant portion of military service members use electronic cigarettes, as 35.7 percent reported they have tried e-cigarettes, 12.4 percent reported being current past-month users, and 11.1 percent reported being daily users. These numbers are noteworthy because scant research exists on e-cigarette use among military service members.

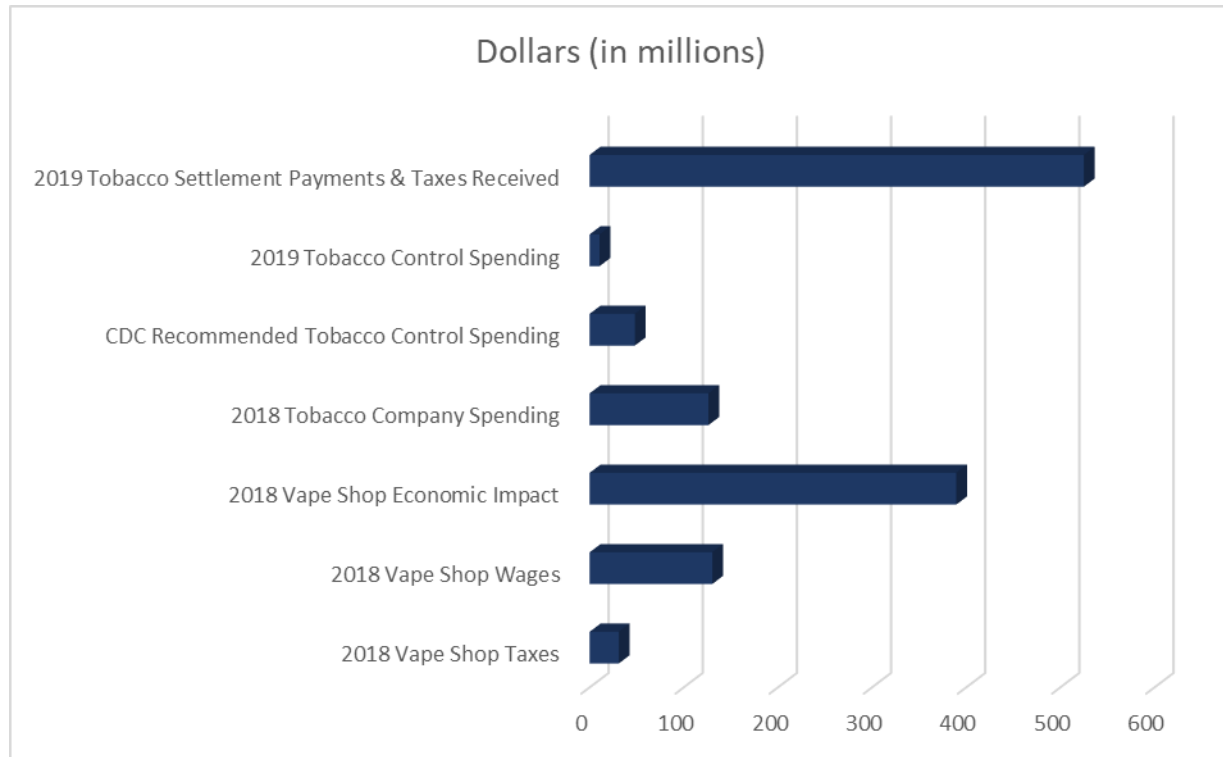
For decades, cigarette use has been pervasive across the U.S. military. Cigarettes are not subject to state and local taxes on the vast majority of military installations. In fact, an analysis comparing cigarette prices noted that cigarettes “were 11% - 12% cheaper at on-base retailers compared with off-base retailers.”⁵⁰ It is estimated the Department of Defense spends “about \$1.6 billion annually in lost productivity and healthcare expenses” due to tobacco use among military members.⁵¹

Conclusion and Policy Implications

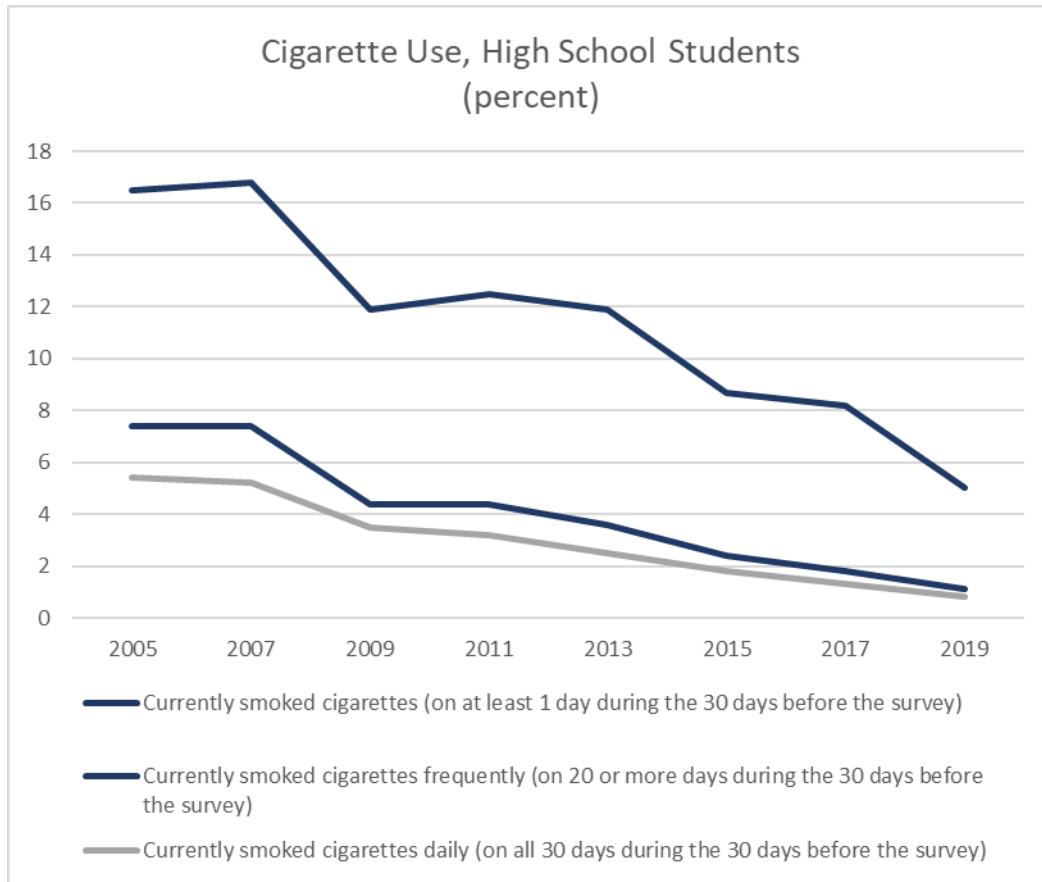
- Excise taxes on vapor products are regressive and unfairly burden low-income persons. In 2019, 46.8 percent of adult smokers in Maryland reported earning incomes of \$24,999 or less. Further, 25.4 percent of adult smokers in the Old Line State earned less than \$15,000 a year in 2019.
- Cigarette taxes are unreliable sources of revenue. Since 2010, cigarette tax revenue has decreased, on average, 1.8 percent annually.
- To address youth use of age-restricted products, as well as adult use of deadly combustible cigarettes, Montgomery County must urge state lawmakers to allocate additional funding from revenue generated from existing excise taxes and settlement payments and dedicate it toward tobacco control programs. Maryland woefully underfunds such programs and in 19 years has only allocated three percent (\$276 million) of settlement payments and cigarette taxes towards tobacco control programs – including youth prevention. During the same period, the Old Line State collected \$9.2 billion in cigarette taxes and tobacco settlement payments.
- Vapor products have helped millions of American adults quit smoking and are significantly less harmful than combustible cigarettes, as noted by numerous public health groups. Policymakers should refrain from imposing excise taxes on such products.

SUPPLEMENTAL GRAPHS

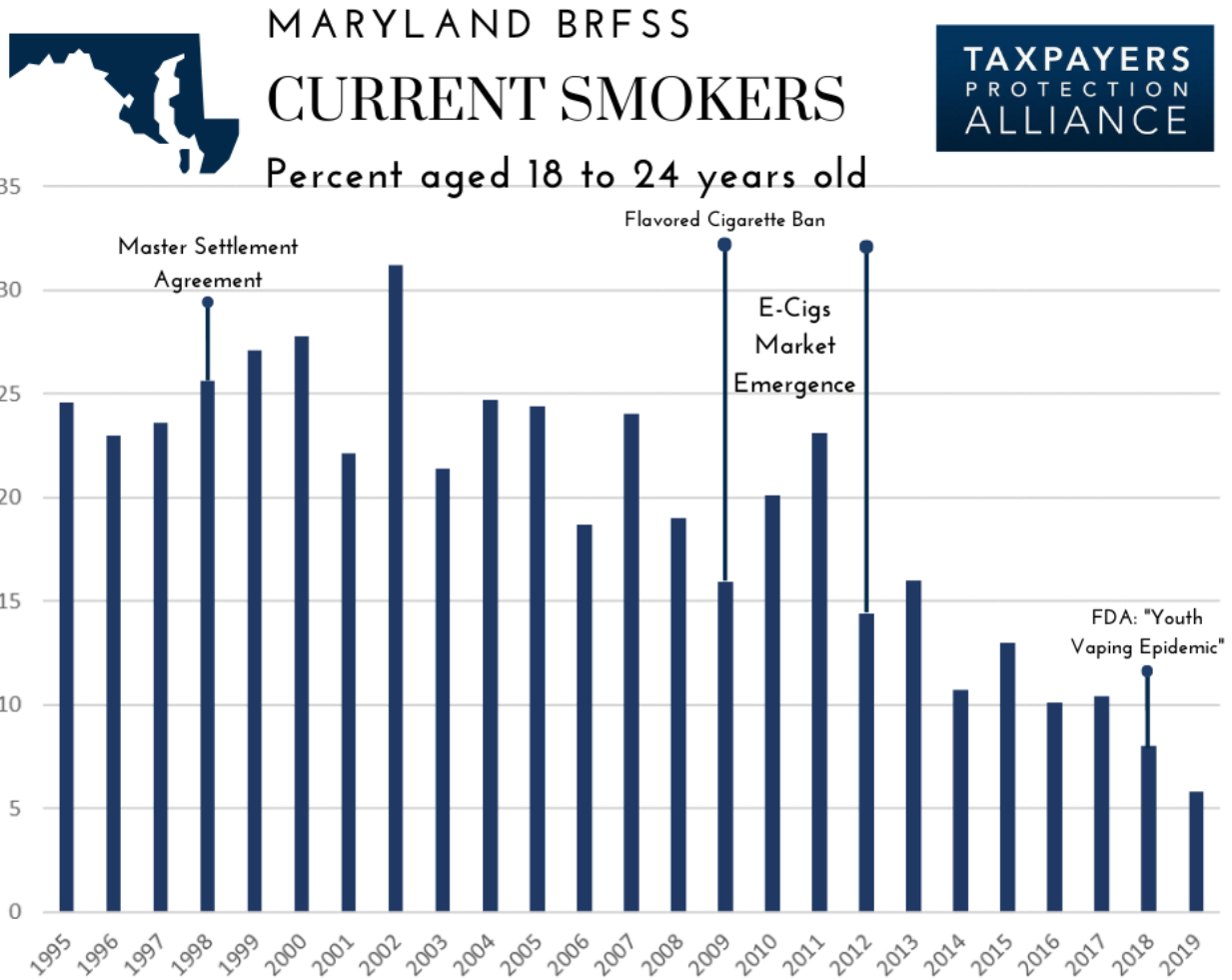
1. Tobacco and Vapor Monies, Maryland



2. Youth Tobacco Use

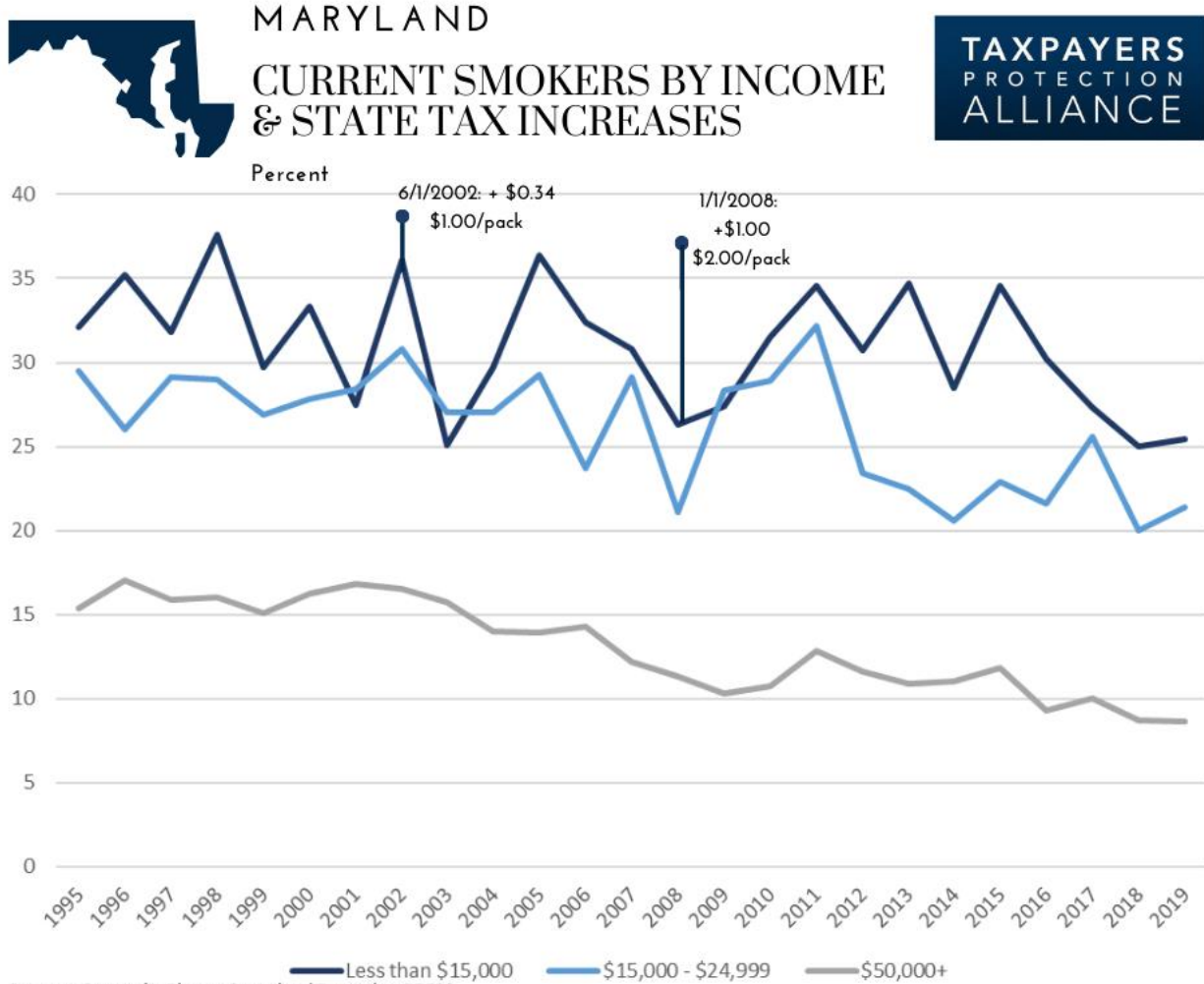


3. Young Adult Smoking Rates, Maryland



Sources: Centers for Disease Control & Prevention, Behavioral Risk Factor Surveillance Survey
For more information, contact Lindsey Stroud at lindsey@protectingtaxpayers.org

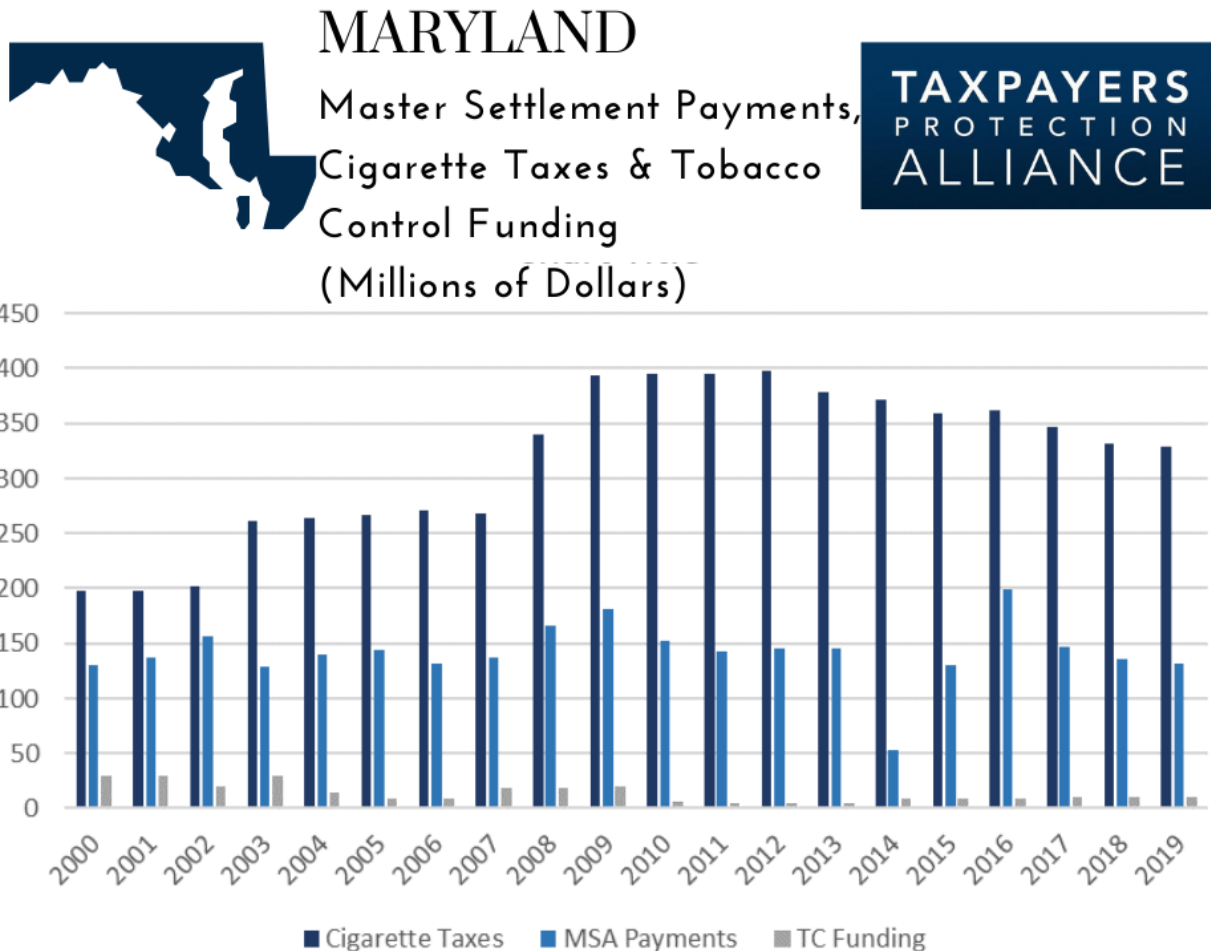
4. Smoking Rates by Income, Maryland



Sources: Centers for Disease Control and Prevention, BRFSS

For more information, contact Lindsey Stroud at lindsey@protectingtaxpayers.org

5. Cigarette Taxes, Tobacco Settlement Payments, Tobacco Control Funding



Sources: Campaign for Tobacco-Free Kids, Orzechowski and Walker
For more information, contact Lindsey Stroud at lindsey@protectingtaxpayers.org

References

- ¹ Suzanne Pollak, “Council Proposes Doubling Tax Rate on E-Cigarettes,” *Montgomery County Media*, April 6, 2021, <https://www.mymcmedia.org/council-proposes-doubling-tax-on-e-cigarettes/>.
- ² Montgomery County Public Schools, “E-Cigarettes,” 2021, <https://www.montgomeryschoolsmd.org/departments/publicinfo/vaping/index.aspx>.
- ³ Centers for Disease Control and Prevention, “BRFSS Prevalence & Trends Data,” 2019, <https://www.cdc.gov/brfss/brfssprevalence/>.
- ⁴ “Quick Facts,” United States Census Bureau, 2020, <https://www.census.gov/quickfacts/MD>.
- ⁵ Maryland, Tobacco Harm Reduction 101, <https://www.thr101.org/maryland>.
- ⁶ Vapor Technology Association, “The Economic Impact of the Vapor Industry MARYLAND,” 2019, <https://vta.guerrillaeconomics.net/reports/d87faa01-f87e-4155-86dc-b1de384fb662?>
- ⁷ Adam McCann, “The Real Cost of Smoking by State,” *WalletHub*, January 15, 2020, <https://wallethub.com/edu/the-financial-cost-of-smoking-by-state/9520>.
- ⁸ Centers for Disease Control and Prevention, “BRFSS Prevalence & Trends Data,” 2019, <https://www.cdc.gov/brfss/brfssprevalence/>.
- ⁹ Kids Count Data Center, “Total population by child and adult populations in the United States,” *The Annie E. Casey Foundation*, September 2020, <https://datacenter.kidscount.org/data/tables/99-total-population-by-child-and-adult-populations#detailed/1/any/false/1729,37,871,870,573,869,36,868,867,133/39,40,41/416,417>.
- ¹⁰ Centers for Disease Control and Prevention, “High School YRBS 2019 Results,” 2019, <https://nccd.cdc.gov/Youthonline/App/Default.aspx>.
- ¹¹ National Center for Chronic Disease Prevention and Health Promotion, “E-Cigarette Use Among Youth and Young Adults: A Report of the Surgeon General,” 2016, <https://www.ncbi.nlm.nih.gov/books/NBK538679/>
- ¹² 1 Kevin Callison and Robert Kaestner, “Cigarette Taxes and Smoking,” Regulation, Cato Institute, Winter 2014-15, <https://object.cato.org/sites/cato.org/files/serials/files/regulation/2014/12/regulation-v37n4-7.pdf>.
- ¹³ Centers for Disease Control and Prevention, *supra* note 3.
- ¹⁴ National Taxpayers Union Foundation, “Tobacco Taxes: Problems, Not Solutions, for Taxpayers and Budgets,” Issue Brief, July 31, 2013, <https://www.ntu.org/foundation/detail/tobacco-taxes-problems-not-solutions-for-taxpayers-and-budgets>.
- ¹⁵ Kil Huh et al., Are Sin Taxes Healthy for State Budgets?, The Pew Charitable Trusts and Rockefeller Institute of Government, July 2018, http://www.pewtrusts.org/-/media/assets/2018/07/sin_taxes_report.pdf.
- ¹⁶ Ulrik Boesen and Tom VanAntwerp, “How Stable is Cigarette Tax Revenue?” Tax Foundation, July 9, 2020, <https://taxfoundation.org/cigarette-tax-revenue-tool/>.
- ¹⁷ Comptroller of Maryland, “Alcohol and Tobacco Tax Reports,” 2020, <https://www.marylandtaxes.gov/reports/alcohol-and-tobacco.php>.
- ¹⁸ Campaign for Tobacco-Free Kids, “Appendix A: History of Spending for State Tobacco Prevention Programs,” 2021, <https://www.tobaccofreekids.org/assets/factsheets/0209.pdf>.
- ¹⁹ Centers for Disease Control and Prevention, *supra* note 10.
- ²⁰ Kansas Department of Revenue, “Selected Kansas Tax Rates with Statutory Citation,” 2021, <https://www.ksrevenue.org/taxrates.html>.
- ²¹ Centers for Disease Control and Prevention, *supra* note 10.
- ²² Louisiana Department of Revenue, “Retail Dealers of Vapor Products,” 2021, <https://revenue.louisiana.gov/ExciseTaxes/RetailDealersOfVaporProducts>.
- ²³ Centers for Disease Control and Prevention, *supra* note 10.
- ²⁴ North Carolina Department of Revenue, “Tobacco Products Tax,” December, 2019, https://files.nc.gov/ncdor/documents/files/Tobacco-Products-Tax-Bulletin_rev_12-19-Final.pdf.
- ²⁵ Centers for Disease Control and Prevention, *supra* note 10.
- ²⁶ Pennsylvania Department of Revenue, “Other Tobacco Products Tax,” 2021, <https://www.revenue.pa.gov/GeneralTaxInformation/Tax%20Types%20and%20Information/OTPT/Pages/default.aspx#:~:text=E%2Dcigarettes%2FVapor%20products,the%20wholesaler%20on%20the%20following%3A&text=E%2Dcigarette%20devices%20sold%20in,liquid%20or%20substance%20contains%20nicotine>.

-
- ²⁷ Centers for Disease Control and Prevention, *supra* note 10.
- ²⁸ West Virginia State Tax Department, “E-cigarette Liquids Excise Tax FAQ,” 2021, <https://tax.wv.gov/Business/ExciseTax/TobaccoTax/HowDoI/Pages/ElectronicCigaretteLiquidsExciseTaxFAQ.aspx>
- ²⁹ Centers for Disease Control and Prevention, *supra* note 10.
- ³⁰ Brad Rodu, *For Smokers Only: How Smokeless Tobacco Can Save Your Life*, Sumner Books, 1995, p. 103.
- ³¹ American Lung Foundation, “What’s In a Cigarette?,” February 20, 2019, <https://www.lung.org/stop-smoking/smoking-facts/whats-in-a-cigarette.html>.
- ³² Centers for Disease Control and Prevention, “Health Effects of Cigarette Smoking,” January 17, 2018, https://www.cdc.gov/tobacco/data_statistics/fact_sheets/health_effects/effects_cig_smoking/index.htm.
- ³³ Mohammadhassan Mirbolouk, MD et al., “Prevalence and Distribution of E-Cigarette Use Among U.S. Adults: Behavioral Risk Factor Surveillance System, 2016,” *Annals of Internal Medicine*, October 2, 2018, <https://www.acpjournals.org/doi/10.7326/M17-3440>.
- ³⁴ Consumer Advocates for Smoke-Free Alternatives Association, “A Historical Timeline of Electronic Cigarettes,” n.d., <http://casaa.org/historicaltimeline-of-electronic-cigarettes>.
- ³⁵ WHO Framework Convention on Tobacco Control, “Electronic Nicotine Delivery Systems and Electronic Non-Nicotine Delivery Systems (ANDS/ ENNDS),” August 2016, http://www.who.int/fctc/cop/cop7/FCTC_COP_7_11_EN.pdf.
- ³⁶ Vaping 360, “Nicotine Strengths: How to Choose What’s Right for You,” February 26, 2019, <https://vaping360.com/best-e-liquids/nicotine-strengthpercentages>.
- ³⁷ A. McNeill et al., “E-cigarettes: an evidence update,” Public Health England, August, 2015, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684963/Evidence_review_of_e-cigarettes_and_heated_tobacco_products_2018.pdf.
- ³⁸ A. McNeill et al., “Evidence review of e-cigarettes and heated tobacco products 2018,” Public Health England, February 2018, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684963/Evidence_review_of_e-cigarettes_and_heated_tobacco_products_2018.pdf.
- ³⁹ A. McNeill et al., “Vaping in England: an evidence update including vaping for smoking cessation, February 2021,” Public Health England, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/962221/Vaping_in_England_evidence_update_February_2021.pdf.
- ⁴⁰ Royal College of Physicians, *Nicotine without Smoke: Tobacco Harm Reduction*, April, 2016, <https://www.rcplondon.ac.uk/projects/outputs/nicotine-without-smoke-tobacco-harm-reduction-0>.
- ⁴¹ Committee on the Review of the Health Effects of Electronic Nicotine Delivery Systems, “Public Health Consequences of E-Cigarettes,” The National Academies of Science, Engineering, and Medicine, 2018, <https://www.nap.edu/catalog/24952/public-health-consequences-of-e-cigarettes>.
- ⁴² David T. Levy et al., “Potential deaths averted in USA by replacing cigarettes with e-cigarettes,” *Tobacco Control*, October 2, 2017, <http://tobaccocontrol.bmj.com/content/early/2017/08/30/tobaccocontrol-2017-053759.info>.
- ⁴³ American Lung Foundation, “Approaches to Promoting Medicaid Tobacco Cessation Coverage: Promising Practices and Lessons Learned,” June 9, 2016, <https://web.archive.org/web/20170623183710/https://www.lung.org/assets/documents/advocacy-archive/promoting-medicare-tobacco-cessation.pdf>. Accessed June 23, 2017.
- ⁴⁴ J. Scott Moody, “E-Cigarettes Poised to Save Medicaid Billions,” State Budget Solutions, March 31, 2015, https://www.heartland.org/assets/documents/publications/20150331_sbsmediciadecigarettes033115.pdf.
- ⁴⁵ Edward Anselm, “Tobacco Harm Reduction Potential for ‘Heat Not Burn,’” R Street Institute, February 2017, <https://www.rstreet.org/wp-content/uploads/2017/02/85>.
- ⁴⁶ Adam McCann, “The Real Cost of Smoking by State,” *WalletHub*, January 15, 2020, <https://wallethub.com/edu/the-financial-cost-of-smoking-by-state/9520>.
- ⁴⁷ “Military Active-Duty Personnel, Civilians by State,” *Governing*, 2017, <https://www.governing.com/archive/military-civilian-active-duty-employee-workforce-numbers-by-state.html>.
- ⁴⁸ Sarah O. Meadows, et al., “2015 Health Related Behaviors Survey,” Rand Corporation, 2018, https://www.rand.org/pubs/research_briefs/RB9955z7.html.

⁴⁹ “Department of Defense Health Related Behaviors Survey of Active Duty Personnel,” U.S. Department of Defense, 2013, <https://www.health.mil/Reference-Center/Reports/2013/02/01/2011-Health-Related-Behaviors-Active-Duty-Executive-Summary>.

⁵⁰ Amanda K. Yong, et al., “Availability, price and promotions for cigarettes and non-cigarette tobacco products: an observational comparison of US Air Force bases with nearby tobacco retailers, 2016,” *Tobacco Control*, 2019, <https://tobaccocontrol.bmj.com/content/28/2/189>.

⁵¹ Jilian Mincer and Phil Stewart, “Pentagon aims to curb tobacco use by military: memo,” *Reuters*, April 26, 2016, <https://www.reuters.com/article/us-usa-military-tobacco/pentagon-aims-to-curb-tobacco-use-by-military-memo-idUSKCN0XN2VP>.

TOBACCO & VAPING 101: MARYLAND



BY: LINDSEY STROUD

Combustible cigarette use among American youth and adults has reached all-time lows, but many policymakers are concerned with the increased use of electronic cigarettes and vapor products, especially among youth and young adults.

This paper examines smoking rates among adults in the Old Line State, youth use of tobacco and vapor products, and the effectiveness of tobacco settlement payments, taxes, and vapor products on reducing combustible cigarette use.

TAXPAYERS PROTECTION ALLIANCE

TABLE OF CONTENTS

Adult Smoking Rates • P. 2

Youth Tobacco and Vapor
Rates • P. 2

Cigarette Tax Revenue • P. 3
Master Settlement Agreement
• P. 3

Tobacco Control Funding • P. 4
E-Cigarettes' Effectiveness in
Maryland • P. 4

Policy Implications • P. 5

Supplemental Graphs • P. 6

References • P. 7

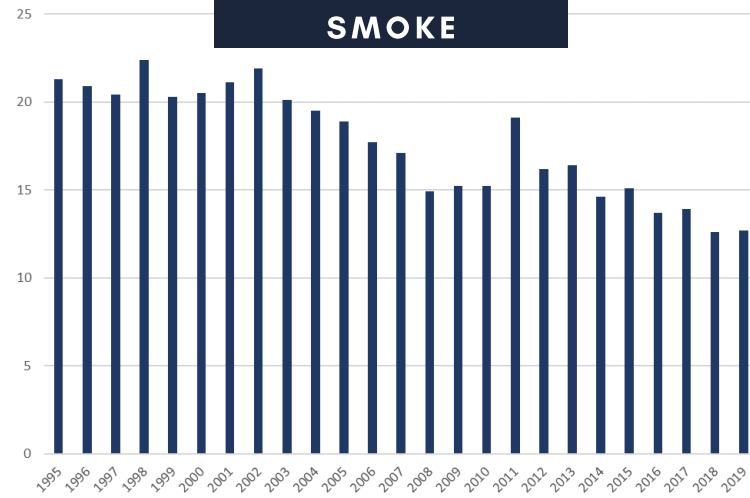
ADULT SMOKING RATES

In 1995, 21.3 percent^[1] of Maryland adults smoked combustible cigarettes, amounting to approximately 802,868 adults.^[2] In 1995, among all adults, 18 percent (678,480 adults) reported smoking every day.

In 2019, 12.7 percent of adults in the Old Line State were current smokers, amounting to 598,296 smokers. Further, 8.2 percent of Maryland adults (386,301 adults) were daily smokers in 2019.

Among Maryland adults, current smoking decreased by 40.4 percent between 1995 and 2019. Moreover, there are an estimated 204,572 fewer smokers in 2019, compared to 1995, and 292,179 fewer daily smokers.

PERCENTAGE OF ADULTS WHO SMOKE



AMONG MARYLAND ADULTS, CURRENT SMOKING DECREASED BY 40.4 PERCENT BETWEEN 1995 AND 2019.



YOUTH TOBACCO AND VAPING RATES

The most recent data on youth tobacco and vapor product use in Maryland comes from the 2019 Youth Risk Behavior Survey.^[3] In 2019, 39.7 percent of Maryland high school students reported ever-trying e-cigarettes, 23 percent reported past 30-day use, and 3.7 percent reported using vapor products daily.

Youth combustible cigarette use is at an all-time low. In 2019, five percent of Maryland high school students reported past 30-day cigarette use, a nearly 58 percent decrease from 2013 when 11.9 percent of high school students in Maryland used cigarettes in the past 30 days. Further, daily cigarette use among Maryland high school students decreased by 68 percent from 2.5 percent in 2013 to 0.8 percent in 2019.

YOUTH COMBUSTIBLE CIGARETTE USE HAS DECREASED 58 PERCENT SINCE 2013.



CIGARETTE TAX REVENUE

Between 2000 and 2019, Maryland collected an estimated \$4.582 billion in cigarette taxes.[4] During the same 20-year time period, the Old Line State increased the tax rate twice, which has not led to a significant increase in revenue.

In 2002, cigarette tax rates increased by \$0.34 to \$1.00 per pack. In 2002, Maryland collected \$301 million in revenue attributed to the cigarette tax stamp, an increase of 19.2 percent from the \$252.6 million the state received in 2001.

In 2008, Maryland increased cigarette tax rates by \$1.00 to \$2.00 per pack. Cigarette tax revenue declined by 10.3 percent from \$271 million in 2007 to \$243 million in 2008. Cigarette tax revenue has continued to decline and in 2020, Maryland collected \$155.3 million in cigarette taxes, a 37.1 percent decline from 2008.

***BETWEEN 2000 AND
2019, MARYLAND
COLLECTED AN
ESTIMATED \$4.582
BILLION IN TOBACCO
TAXES.***

MASTER SETTLEMENT AGREEMENT

In the mid-1990s, Maryland sued tobacco companies to reimburse Medicaid for the costs of treating smoking-related health issues. And, in 1998 with 45 other states, the Old Line State reached “the largest civil litigation settlement in U.S. history” through the Master Settlement Agreement (MSA).[5]

Under the MSA, states receive annual payments – in perpetuity – from the tobacco companies, while relinquishing future claims against the participating companies. Between 1998 and 2020, Maryland collected \$2.966 billion in MSA payments.[6]



***BETWEEN 1998 AND 2020, MARYLAND RECEIVED AN
ESTIMATED \$2.966 BILLION IN MSA PAYMENTS.***

VERY LITTLE TOBACCO CONTROL FUNDING

Tobacco taxes and tobacco settlement payments are justified to help offset the costs of smoking, as well as prevent youth initiation. Like most states, Maryland spends very little of existing tobacco moneys on tobacco control programs - including education and prevention.

Between 2000 and 2019, Maryland allocated only \$276 million in state funds towards tobacco control programs. [7] This is only 4.4 percent of what Maryland collected in cigarette taxes in the same 19-year time span and only 9.7 percent of MSA payments. To put it in further perspective, in 19 years, Maryland allocated only three percent of tobacco settlement payments and taxes on programs to prevent tobacco use.

***IN 19 YEARS, MARYLAND
ALLOCATED ONLY THREE
PERCENT OF TOBACCO
SETTLEMENT PAYMENTS
AND TAXES ON
PROGRAMS TO PREVENT
TOBACCO USE.***

VAPOR PRODUCT EMERGENCE CORRELATES WITH LOWER YOUNG ADULT SMOKING

Electronic cigarettes and vapor products were first introduced to the U.S. in 2007 "and between 2009 and 2012, retail sales of e-cigarettes expanded to all major markets in the United States." [8] Examining data from the Centers for Disease Control and Prevention's Behavioral Risk Factor Surveillance Survey finds that e-cigarettes' market emergence has been more effective than MSA payments in reducing smoking rates among young adults in Maryland.

In 1998, among current adult smokers in Maryland, 25.6 percent were 18 to 24 years old. In 2008, this had decreased by 37.9 percent to 15.9 percent of adult smokers in Maryland being between 18 to 24 years old. And, 10 years after

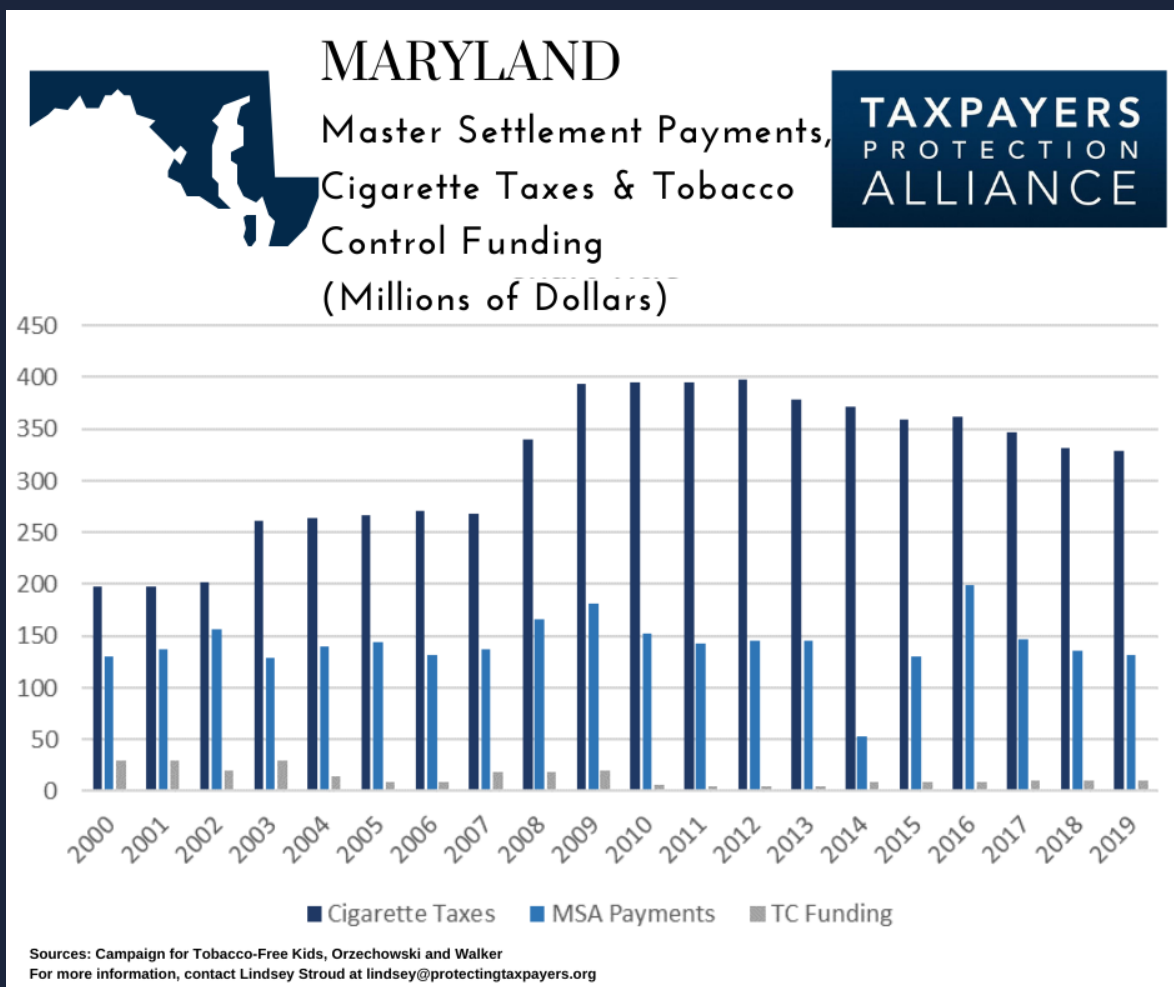
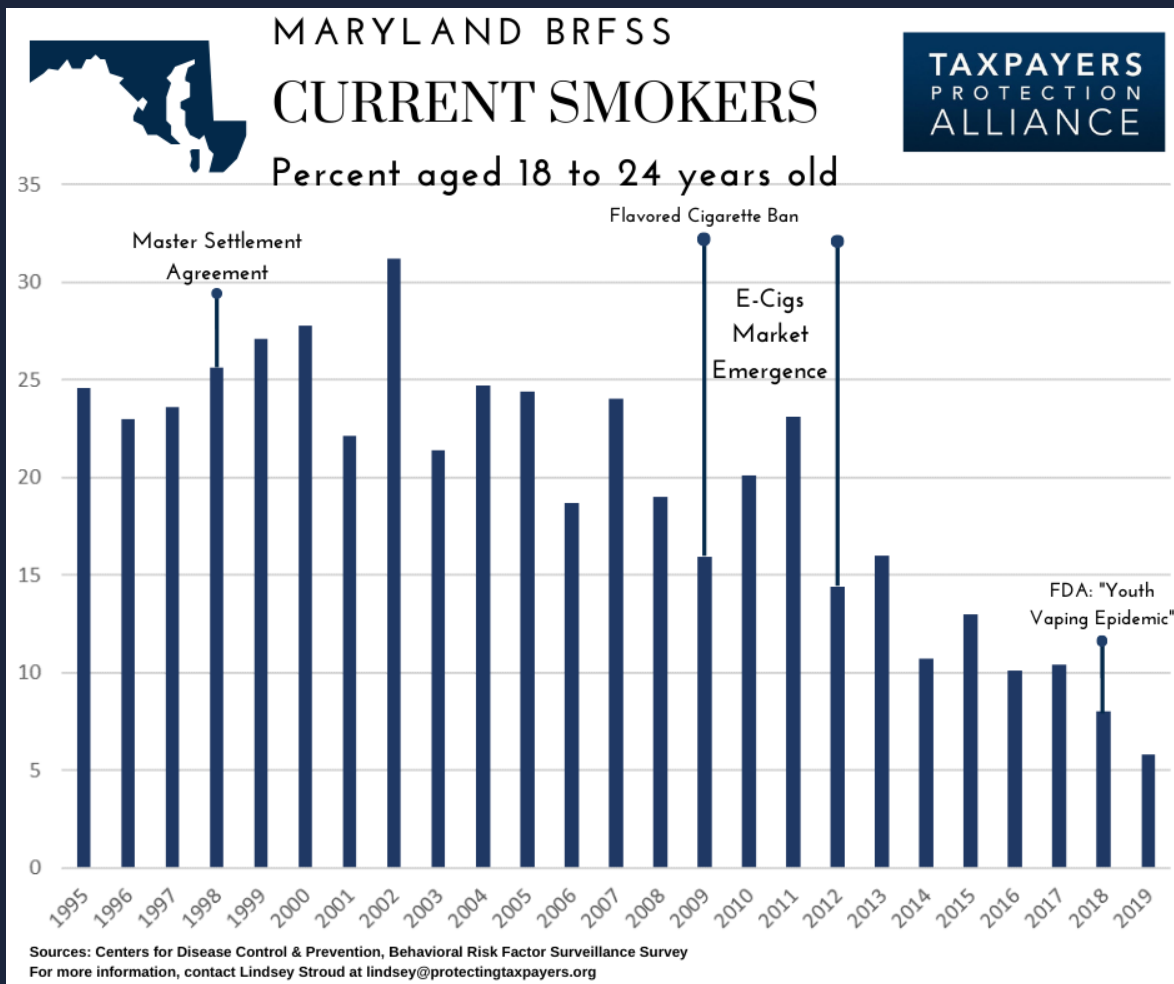
e-cigarette's market emergence in 2009, smoking rates among current smokers aged 18 to 24 years old decreased by 63.5 percent. Indeed, in 2009, among current smokers in Maryland, 15.9 percent were between 18 to 24 years old. In 2019, only 5.8 percent of current smokers were 18 to 24 years old.

Further e-cigarettes' market emergence was associated with a larger decline in average annual percent decreases. Between 1998 and 2008, the percentage of current smokers aged 18 to 24 years old decreased on average 1.84 percent each year. Between 2009 and 2019, annual percentage declines average at 6.7 percent.

***10 YEARS AFTER E-CIGARETTES' MARKET EMERGENCE IN
2009, SMOKING RATES AMONG CURRENT SMOKERS AGED
18 TO 24 YEARS OLD DECREASED BY 63.5 PERCENT.***

POLICY IMPLICATIONS:

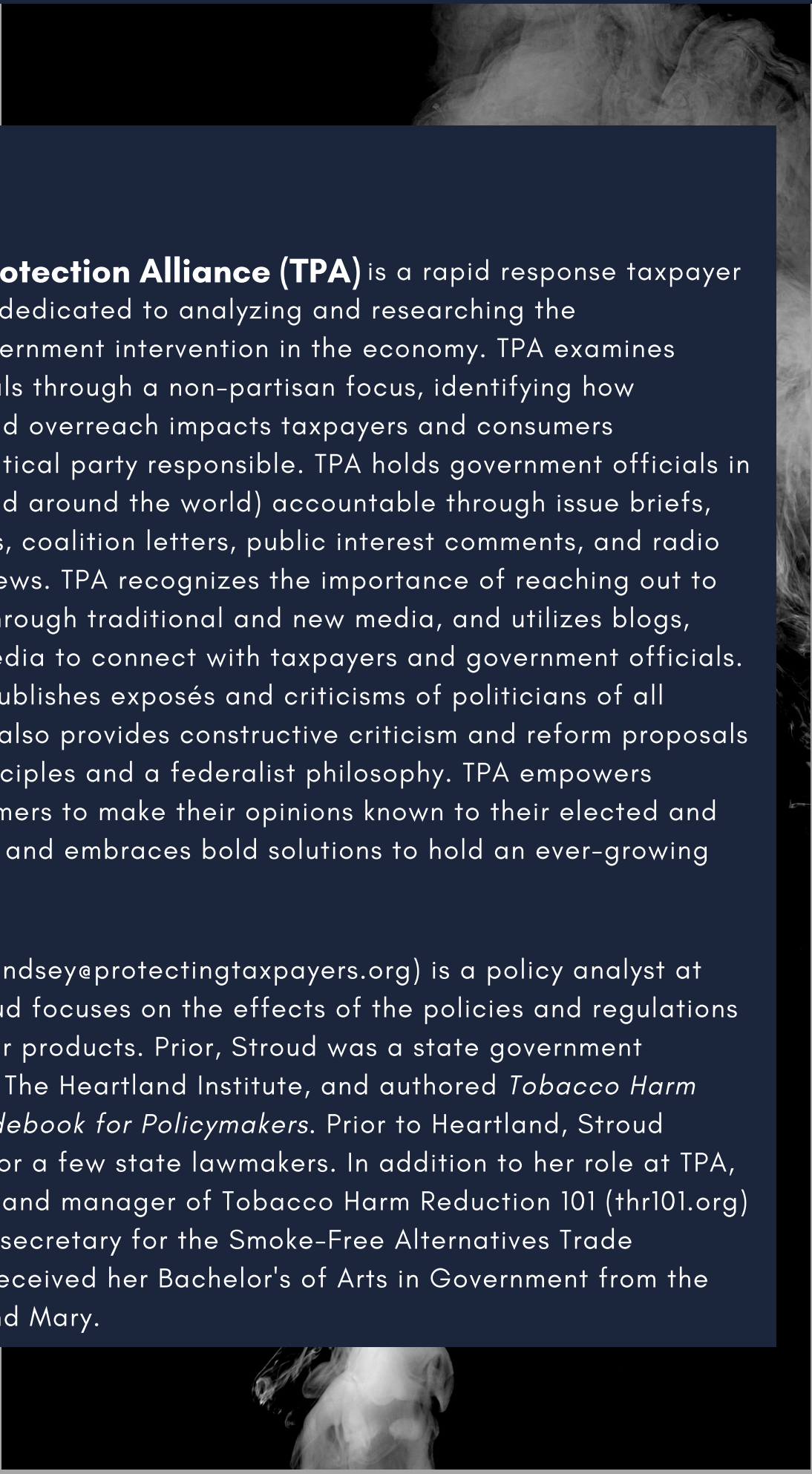
- In 2019, 12.7 percent of Maryland adults smoked combustible cigarettes, a 40.4 percent decrease from 1995. Further, youth combustible cigarette use has decreased by 58 percent in a six-year time period from 11.9 percent in 2013 to five percent in 2019.
- Maryland spends very little on tobacco control programs, including prevention and education. In 19 years, the Old Line State allocated only \$276 million toward tobacco control programs. During the same time period, Maryland received an estimated \$6.331 billion in cigarette tax revenue and \$2.838 billion in tobacco tax settlement payments.
- E-cigarettes appear more effective than MSA payments in reducing smoking rates among young adults in Maryland.
- 10 years after the MSA, smoking rates decreased among 18- to 24-year-olds by 37.9 percent. And, 10 years after e-cigarettes market emergence, smoking rates among 18 to 24 years old decreased by 63.5 percent.





REFERENCES:

- [1] Centers for Disease Control and Prevention, "BRFSS Prevalence & Trends Data," 2019, <https://www.cdc.gov/brfss/brfssprevalence/>.
- [2] Kids Count Data Center, "Total population by child and adult populations in the United States," The Annie E. Casey Foundation, September 2020, <https://datacenter.kidscount.org/data/tables/99-total-population-by-child-and-adult-populations#detailed/1/any/false/1729,37,871,870,573,869,36,868,867,133/39,40,41/416,417>.
- [3] Centers for Disease Control and Prevention, "High School YRBS 2019 Results," 2019, <https://nccd.cdc.gov/Youthonline/App/Default.aspx>.
- [4] Orzechowski and Walker, "The Tax Burden on Tobacco Historical Compilation Volume 54," 2019. Print.
- [5] Tobacco Control Legal Consortium, "The Master Settlement Agreement: An Overview," August 2015, p. 1, <http://publichealthlawcenter.org/sites/default/files/resources/tclc-fs-msa-overview-2015.pdf>.
- [6] Campaign for Tobacco-Free Kids, "Actual Annual Tobacco Settlement Payments Received by the States, 1998 - 2000," August 13, 2020, <https://www.tobaccofreekids.org/assets/factsheets/0365.pdf>.
- [7] Campaign for Tobacco-Free Kids, "Appendix A: History of Spending for State Tobacco Prevention Programs," 2021, <https://www.tobaccofreekids.org/assets/factsheets/0209.pdf>.
- [8] National Center for Chronic Disease Prevention and Health Promotion, "E-Cigarette Use Among Youth and Young Adults: A Report of the Surgeon General," 2016, <https://www.ncbi.nlm.nih.gov/books/NBK538679/>.



ABOUT

The Taxpayers Protection Alliance (TPA) is a rapid response taxpayer and consumer group dedicated to analyzing and researching the consequences of government intervention in the economy. TPA examines public policy proposals through a non-partisan focus, identifying how government waste and overreach impacts taxpayers and consumers regardless of the political party responsible. TPA holds government officials in the United States (and around the world) accountable through issue briefs, editorials, statements, coalition letters, public interest comments, and radio and television interviews. TPA recognizes the importance of reaching out to concerned citizens through traditional and new media, and utilizes blogs, videos, and social media to connect with taxpayers and government officials. While TPA regularly publishes exposés and criticisms of politicians of all political stripes, TPA also provides constructive criticism and reform proposals based on market principles and a federalist philosophy. TPA empowers taxpayers and consumers to make their opinions known to their elected and non-elected officials and embraces bold solutions to hold an ever-growing government in check.

Lindsey Stroud (lindsey@protectingtaxpayers.org) is a policy analyst at TPA. In her role, Stroud focuses on the effects of the policies and regulations on tobacco and vapor products. Prior, Stroud was a state government relations manager at The Heartland Institute, and authored *Tobacco Harm Reduction 101: A Guidebook for Policymakers*. Prior to Heartland, Stroud worked as a staffer for a few state lawmakers. In addition to her role at TPA, Stroud is the creator and manager of Tobacco Harm Reduction 101 (thr101.org) and an acting board secretary for the Smoke-Free Alternatives Trade Association. Stroud received her Bachelor's of Arts in Government from the College of William and Mary.