

House Finance and Taxation Committee

HB 1403

Rep. Alisa Mitskog

February 9, 2021

Chairman Headland and Members of the House Finance and Tax Committee Members:

My name is Rep. Alisa Mitskog, I represent District 25-Wahpeton.

HB 1403 is a bill that proposes to raise the tax on cigarettes by \$1.00.

After researching the mill to dollar per pack of cigarette conversion, we've learned that HB 1403 would raise the cigarette tax on a pack of cigarettes by \$1.10 (not \$1.00). This is because the tax code provides separate mill based cigarette taxes. (A mill equals one tenth of a cent). I am offering an amendment that would raise the tax 1.00 per pack of cigarettes, which was the intent of the bill.

My main reason for the proposed increase in taxation is the health impact and associated costs of smoking. North Dakota spends approximately \$326 million annually on healthcare expenditures for tobacco related illness, costs our citizens incur, along with approximately \$229 million in lost productivity related to tobacco use in ND. Each ND household absorbs over \$700 per year directly in taxes related to these costs. Included in these costs are clinic visits, hospital charges, prescription drugs, nursing homes, and neonatal care. In addition, work productivity is also directly impacted.

In the United States, smoking-related illness costs more than \$300 billion each year, including: Nearly \$170 billion for direct medical care for adults. More than \$156 billion in lost productivity, including \$5.6 billion in lost productivity due to secondhand smoke exposure. Smoking just five cigarettes a day doubles your risk of dying from heart disease.

North Dakota ranks 49th in the nation for tobacco tax at \$0.44 per pack (we were 8th in 1993 when this rate was enacted). North Dakota's neighbors all have higher tobacco taxes.

South Dakota = \$1.53, Montana = \$1.70, Minnesota = \$3.04)

Current tax per pack: $22 \text{ mills} \times \$0.001 \times 20 \text{ cigarettes} = \$0.44/\text{pack}$

A \$1.00 increase per pack: $72 \text{ mills} \times \$0.001 \times 20 \text{ cigarettes} = \$1.44/\text{pack}$

The Tax Department estimated the fiscal impact of the \$1.00 per pack increase to be 60.1 million during the 2021-23 biennium.

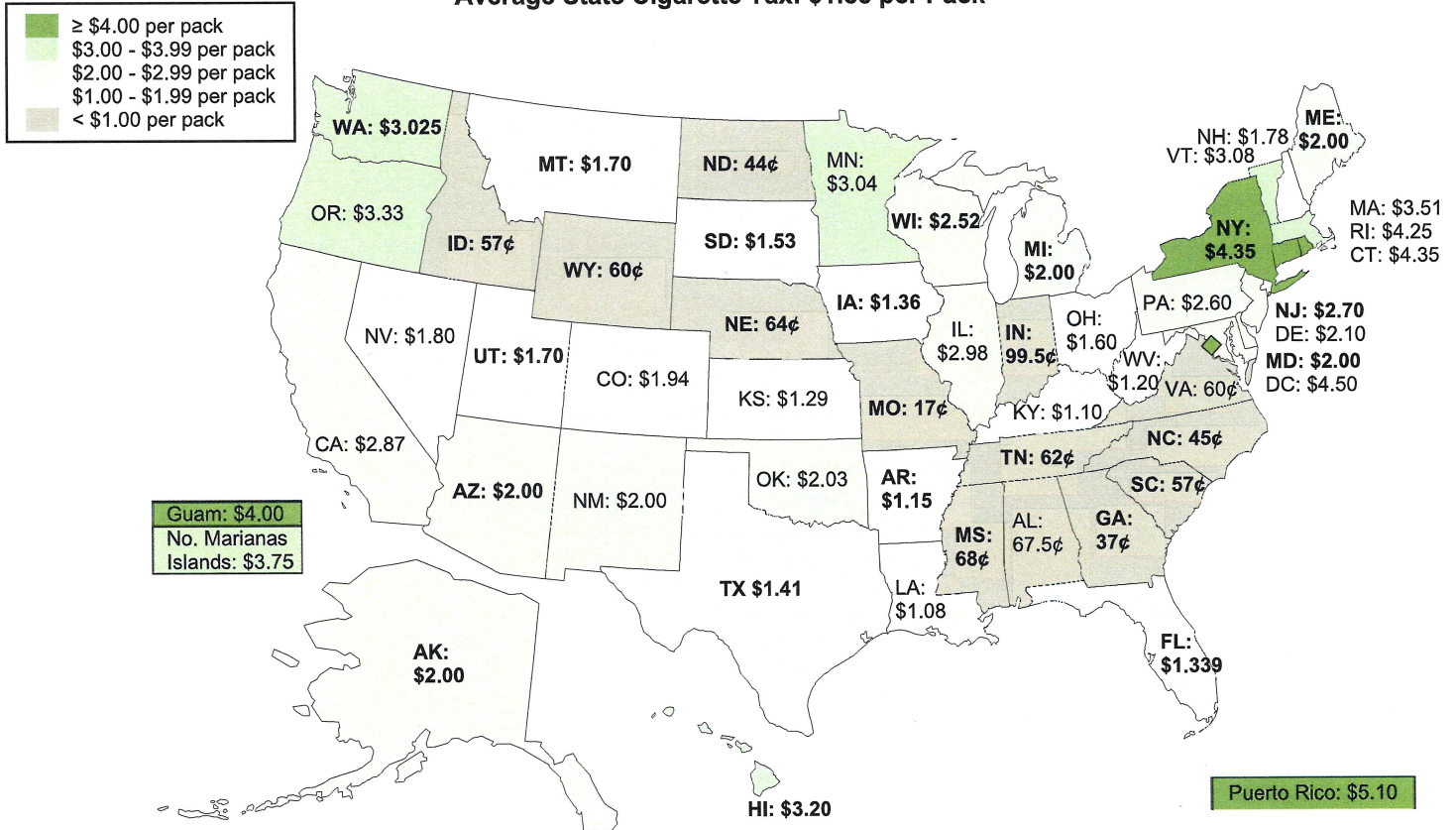
HB 1403 is a bill that will help our state recoup some of the money that it spends on healthcare. I would ask the committee to seriously consider an increase in the tobacco tax.

1. NDQuits Cost Benefit Analysis | Professional Data Analysts, Inc. | August 2018 2. U.S. Department of Health and Human Services. The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General. 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 [accessed 2018 Mar 22].
2. <https://tobaccofreekids.org/fact-sheets/tobacco-control-policies/tobacco-taxes>.



MAP OF STATE CIGARETTE TAX RATES

Average State Cigarette Tax: \$1.88 per Pack



Map shows state cigarette tax rates and state average effective January 1, 2021 (CO and OR on 1/1/2021). The states in bold have not increased their tax for at least 10 years (since 2011 or earlier). Currently, 37 states, DC, Puerto Rico, Northern Mariana Islands, and Guam have cigarette tax rates of \$1.00 per pack or higher; 22 states, DC, Puerto Rico, Northern Mariana Islands, and Guam have cigarette tax rates of \$2.00 per pack or higher; nine states, DC, Puerto Rico, Northern Mariana Islands, and Guam have cigarette tax rates of \$3.00 per pack or higher; three states, DC, Puerto Rico, and Guam have cigarette tax rates of \$4.00 per pack or higher; and Puerto Rico has a cigarette tax rate higher than \$5.00. The state average listed above does not include any of the U.S. territories. Federal cigarette tax is \$1.01 per pack. Not shown are the special taxes or fees some states place on cigarettes made by Non-Participating Manufacturers (NPMs), the companies that have not joined the Master Settlement Agreement (MSA) between the states and the major cigarette companies. Some local governments also have their own cigarette taxes, such as Chicago (\$1.18), Cook County, IL (\$3.00), New York City (\$1.50), Philadelphia (\$2.00), Aspen, CO (\$3.20), Eagle County, CO (\$4.00), and Juneau, AK (\$3.00). Nationally, estimated smoking-caused health costs and lost productivity totals \$19.16 per pack.

Campaign for Tobacco-Free Kids, December 7, 2020 / Ann Boonn

For more information on state cigarette taxes and the benefits from increasing them, see <https://tobaccofreekids.org/fact-sheets/tobacco-control-policies/tobacco-taxes>.