



PMI US CORPORATE SERVICES

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TO: Chairman Craig Headland and members of the House Finance and Taxation Committee

FROM: James Curry, Director of External Affairs, West, PMI US Corporate Services

Thank you, Mr. Chairman and members of the committee. My name is James Curry and I am the Director of External Affairs in the Western US for Philip Morris International.

PMI is an American company that is transforming its products into innovative, smoke-free tobacco and nicotine options that are a much better choice for adults who would otherwise continue to smoke. I am here in opposition to SB 2281 which would impose a tax of twenty-eight percent of the wholesale price on oral nicotine pouches, including our product, Zyn.

In January, the FDA authorized the marketing of 20 Zyn nicotine pouch products following an extensive scientific review. This is the first time the agency has authorized nicotine pouches, determining that they met the public health standard required by the 2009 Family Smoking Prevention and Tobacco Control Act – a standard that considers the risks and benefits of products to the population as a whole. The FDA found that these products have the potential to provide a benefit to adults who smoke cigarettes and/or use other smokeless tobacco products that is sufficient to outweigh the risks of the products, including to youth.

The tobacco product excise tax is often considered an “indirect” tax because it is usually paid by a distributor who purchases, sells, or brings tobacco products into the state for resale. In North Dakota, the tax is a percentage of the established price listed by manufacturer (the “wholesale purchase price”) exclusive of any discount or other reduction, so the consumer does not see the amount of the tax, which is built into the price of the product. In support of harm reduction principles and commonsense, tobacco products should be taxed proportionately to their risk, which means the tax on the most harmful tobacco product – combustible cigarettes – should be the highest, and the tax on non-combustible products, such as nicotine pouches, should be substantially lower, if they are to be taxed at all.

Unfortunately, SB 2281 runs contrary to sound public policy. It imposes a higher tax on nicotine pouches, defined in the bill as alternative nicotine products, than combustible cigarettes. Instead of creating a financial incentive for adults who smoke to transition away from cigarettes to less harmful alternatives, the bill imposes a higher tax on nicotine products that are recognized as better choices than continued smoking.

For these reasons, I urge you to oppose SB 2281 and would be happy to answer questions. Thank you.