



AMERICANS *for* TAX REFORM

February 12, 2025

To: North Dakota House Finance and Taxation Committee
From: Doug Kellogg, Americans for Tax Reform
Re: Opposition Testimony on House Bill 1570

Chairman Headland, Vice Chairman Hagert, Members of the Committee,

My name is Doug Kellogg, I am State Projects Director for Americans for Tax Reform (ATR), testifying in opposition to House Bill 1570.

ATR is a non-profit organization founded in 1985 at the request of President Reagan to ensure tax reform returned money to American taxpayers. Today, we continue to champion reducing the tax burden, as well as advocate for consumers and free markets, and sponsor the Taxpayer Protection Pledge, a written commitment made by elected officials to their voters that they will oppose tax increases.

I urge you to reject HB 1570, a more than \$95 million tax hike that would punitively tax tobacco alternative products that help people quit smoking, and increase the highly regressive tax on cigarettes and cigars. North Dakota small businesses will be hurt and jobs lost.

The research and evidence we have indicates that this bill would do nothing to reduce smoking rates but would lead to state tax revenue estimates falling short due to an increase in criminal smuggling of tobacco. Further, small businesses with narrow margins will struggle to survive, and families hurt. People who are quitting smoking would have less access to products the Food and Drug Administrations deems appropriate for the protection of public health because they are safe.

Data from the National Adult Tobacco Surveys has consistently demonstrated that tobacco tax increases have no statistically significant impact on the prevalence of smoking among those with household incomes of less than \$25,000. **72% of those who smoke are from low-income communities**, and cigarette taxes are highly regressive, meaning they impact people with lower socioeconomic status more than they hurt those in higher income brackets.

Further, cigarette tax hikes promote black markets for smuggled tobacco products, and consistently result in revenues coming in far lower than projected. Contrary to popular belief that tobacco smuggling a victimless crime, most tobacco smuggling is run by multi-million-dollar organized crime syndicates. These networks, that also engage in human trafficking and money laundering, have also been used to fund terrorism. The U.S. Department of State has explicitly [called](#) tobacco smuggling a “threat to national security.”

Paradoxically this tax hike may increase youth smoking in the state: By definition, criminals and smugglers are unlikely to obey laws and would not follow rigorous age-verification requirements mandated at tobacco retailers and convenience stores.

Only three out of 32 state tobacco [increases](#) between 2009 and 2013 met tax revenue estimates and for this reason, economists and tax policy experts view tobacco taxes as unsound policy, and it is highly unlikely that revenue estimates will be met.

Rather than inappropriately treating alternatives like vaping, oral nicotine pouches, and new technology the same as old tobacco products, lawmakers should welcome these reduced risk tobacco alternatives.

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The negative health effects of combustible tobacco come from the chemicals produced in the combustion process, not the nicotine. While highly addictive, nicotine is a relatively benign substance like caffeine and nicotine use “[does not result in clinically significant short- or long-term harms.](#)”

In recent years, advancements in technology have created a more effective alternative: vapor products and e-cigarettes, as well as oral nicotine pouches such as snus and pouches. These products deliver nicotine methods that do not involve combustion, thus avoid the carcinogens that exist in traditional cigarettes.

Vapor products have been [proven to be at least 95% safer](#) than combustible cigarettes and are more than [twice as effective](#) at helping smokers quit than traditional nicotine replacement therapies, while nicotine pouches have been approved as appropriate for the protection of public health by the FDA recently.

Large-scale [analysis](#) from Georgetown University Medical Center estimates that 6.6 million American lives can be saved if a majority of cigarette smokers switched to reduced risk products. **This would save more than 65,000 lives in North Dakota.**

For the reasons outlined above, in the interests of public health, protecting the North Dakota economy at a time of high inflation, and preventing the spread of smuggling cartels, we call upon you to **oppose HB 1570.**

If ATR can be of any assistance or you have questions, please contact me at 202-785-0266, dkellogg@atr.org.

Thank you.