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House Finance and Taxation Committee for the 69th ND Legislative Assembly

Chairman Headland, and members of the House Finance and Taxation Committee, hello, my name is Heather Austin, and I am the Executive Director for Tobacco Free North Dakota. The mission of Tobacco Free North Dakota is to improve and protect the public health of all North Dakotans by reducing the serious health and economic consequences of tobacco use, the state's number one cause of preventable disease and death. Thank you so much for your time this morning.

Today I am here to show support for SB 2281, a bill to increase the tax on cigarettes and other forms of commercial tobacco and to update definitions for other commercial tobacco products.

This bill is a more conservative approach to tobacco tax policy than TFND typically promotes. Unfortunately, at 25 cents, the proposed price increase on cigarettes in section 3 of this bill does not fall in line with CDC best practice recommendations. This is because when price increases are made in small increments, the tobacco industry uses coupons and price discounts to negate the incentive for consumers to quit, lowering the overall health benefits of enacting such a policy. Ideally, an increase of at least one dollar would be considered for the best health outcomes.

That being said, SB 2281 has some great prevention policy pieces included that would help the people of North Dakota. Similar to a previous bill last month, SB 2281 also gives us a chance to close a tax policy loophole for electronic tobacco and nicotine products, which are currently only subjected to sales tax and not a tobacco excise tax. Taxing them at a percentage of wholesale, the same as cigars currently are taxed in ND, allows us to avoid creating product "winners and losers" in our taxation policies, by treating commercial tobacco products all equally with respect to taxation. This makes good sense and provides the added benefit of protecting our kids, and providing funding for services for our citizens, and that creates a healthier state.

Another highlight of SB 2281 is that it includes distinctive language to define products like nicotine pouches, gels, and dissolvables as tobacco products. This will close another loophole the tobacco industry exploits in current code, as products like synthetic nicotine pouches do not fit the current definition of chewing tobacco or snuff. The updated definition proposed in this bill also protects FDA approved nicotine replacement therapies, which are evidence-backed medications to help with tobacco cessation.

As you've heard me say before, it has been many years since North Dakota has addressed the levels of tobacco taxes for our state. We have not kept pace with the cost of illnesses caused by commercial tobacco use, or with the productivity losses ND incurs. Our state's taxpayers absorb

annual costs of smoking-caused government expenditures that is estimated at \$910 per household.¹ We simply have not been able to counteract that in North Dakota by leaving the newest products out of tobacco policies and regulations. And now is the time to correct that. Raising the cigarette excise tax and creating parity for all commercial tobacco products could help offset some of these costs for North Dakotans.

Once again, I'm happy to point out that North Dakota has one of the best Quitlines in the nation with NDQuits. They are standing ready to help make sure no citizen has to continue paying the price of commercial tobacco with their money or their health. Let SB 2281 encourage cessation while promoting prevention. Today, TFND encourages progress over perfection.

Again, thank you for this time in front of you, Chairman Headland, and the Committee. It is very appreciated. Please vote Do Pass on SB 2281.

May I answer any questions at this time?

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¹ https://www.tobaccofreekids.org/problem/toll-us/north_dakota