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March 14, 2014

The Honorable Gary Schaer
1 Howe Avenue
Suite 302
Passaic, NJ 07055

Re: E-cigarettes and the FY 2015 Budget

Dear Assemblyman Schaer,

I am writing to you in opposition of any proposal to add a new tax on electronic cigarettes and/or their components. The New Jersey Gasoline, Convenience Store, and Automotive Association represents 1,500 small businesses in this state, many of whom are now retailers of e-cigarettes. E-cigarettes have exploded onto the marketplace in just a few years as a result of huge consumer demand, and small businesses have been able to earn some additional revenues that have been helpful in a struggling economy.

Unfortunately, it seems the Fiscal Year 2015 Budget Proposal from the Governor's Administration wants to dramatically increase the tax on this product. I can assure you that the last thing small businesses need right now is for more government taxation to hurt their livelihood.

E-cigarettes are not the beneficiaries of some obscure, out of date loophole that prevents them from being taxed; they are subject to the same 7% sales tax that nearly every other product is. A sales tax which, it should be noted, is among the highest in the United States. Any attempt to raise revenue by changing the current tax rate on e-cigarettes would need to be weighed against the decline that sales tax revenues would experience.

So far it has been unclear as to how exactly these e-cigarettes will be taxed. To simply say that they should be taxed at the same rate as traditional cigarettes ignores the ever-changing wide variety of distribution models among e-cigarettes. Cigarettes in New Jersey are currently taxed at a rate of 13.5 cents per cigarette. Some disposable e-cigarettes allow a consumer to get the same amount of use from a single e-cigarette that they would get from a pack of traditional cigarettes. Applying the cigarette tax in that instance would defeat the government's purpose. Higher end, refillable e-cigarettes can retail for sixty dollars or more. A standard pack of twenty



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cigarettes is taxed at \$2.70. If this were added as a flat charge to every e-cigarette, in some cases the tax collected would be less than the current 7% sales tax.

Currently no product on the market is taxed based on its nicotine content. If a tax on e-cigarettes were to be based on nicotine content, as has been discussed in the state of Washington, it would mean the creation of a new tax in New Jersey.

A tax based on nicotine content would dramatically increase the retail price of e-cigarettes. Many e-cigarettes have more nicotine than a traditional cigarette in order to satisfy former smokers. However, the nicotine content is comparable to what is found in a common nicotine patch, a product universally known as a healthier alternative to smoking. Since nicotine patches are not subject to any tax other than the sales tax, e-cigarettes should be treated the same way.

The fact is, what is harmful about cigarette smoking is not the nicotine; it is the smoke that is inhaled from the burning of tobacco. The reason a person wants to inhale that smoke is to get at the nicotine. E-cigarettes give consumers the ability to satisfy their nicotine needs without needing to put that smoke in their lungs. Multiple studies have shown e-cigarettes to be much healthier than traditional cigarettes, and, as far as I have seen, studies that show they are as unhealthy as regular cigarettes do not exist.

The government levies extraordinarily high taxes on traditional cigarettes because of the damage they do to a smoker's health, but e-cigarettes help smokers help themselves. We tax traditional cigarettes so highly because the secondhand smoke they produce impinges on the health of others; but e-cigarettes only produce water vapor that is harmless to bystanders.

How can we levy a sin tax on something that isn't a sin? To do so creates a terrible precedent. Will a day come when every consumer will be forced to pay more for their morning coffee because of a caffeine tax?

For decades convenience stores and other small businesses have relied heavily on the sale of tobacco products to keep themselves in business. Now technology has given us an effective new product that is far healthier than traditional cigarettes, and the response from leaders in our government is to levy it with a hefty new tax.



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Any proposed tax on e-cigarettes beyond the standard sales tax is bad for small business, bad for consumers, and bad for the public health. As a member of the Budget Committee, I ask you to oppose it.

Sincerely,

Sal Risalvato
Executive Director