

Build Back Better's e-cigarette tax will make people smoke more

Combustible cigarettes and e-cigarettes are what economists call 'substitute goods.' The proposed tax will push people toward the deadlier option.

By Kenneth E. Warner

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One of the many goals of the Build Back Better plan is to improve the health of the public. Yet members of Congress have undermined that goal by including a tax on nonconventional nicotine products, including e-cigarettes and nicotine pouches, but not raising taxes on cigarettes.

The tax on e-cigarettes is undoubtedly well-intentioned. Legislators rightly share the public's concerns about widespread youth vaping and about some manufactures' despicable marketing of e-cigarettes to children. By substantially raising the price of e-cigarettes — by about 25 percent, for a typical user — the tax will certainly discourage youths from using these products. That benefit comes at a steep public health cost, however: The tax will increase cigarette smoking among adults — and quite possibly teenagers, too. And any increase in smoking, which kills about 480,000 Americans annually, will lead to higher rates of disease and death in this country.

The problem with the tax is simple. Economic studies demonstrate that cigarettes and e-cigarettes are substitutes for each other. If cigarettes become more costly relative to e-cigarettes, some cigarette smokers will switch to e-cigarettes. Conversely, if e-cigarette prices rise relative to cigarette prices — as they will under the legislation's tax provision — some people will smoke cigarettes who would otherwise have used e-cigarettes.

The individuals at risk fall into three groups: First, a subset of former smokers who quit smoking with e-cigarettes — hopefully a small subset — will gravitate back to smoking cigarettes, because the price of their substitute will have increased significantly. Second, some dual users (the sizable group of people who smoke and vape) will stop vaping and switch to exclusive cigarette use. Many dual users are in a transition phase away from smoking; the tax makes it less likely that transition will happen. And third, this tax will deter current smokers who might have tried vaping and transitioned away from cigarettes from doing so.

All of this would be highly regrettable, because while vaping is not free of risk, the National Academies of Sciences, Engineering, and Medicine has concluded that “e-cigarettes are likely to be far less harmful than combustible tobacco cigarettes.” Cigarette smoke contains more than 7,000 chemicals, 70 of which are known causes of cancer in humans.

deserved careful study, it wasn't yet possible to determine that the benefits weren't offset by young people (who might never have smoked) taking up e-cigarettes.

But many public health scholars think that stance is too equivocal, selling short the value of e-cigarettes as a harm-reduction tool. A survey by the Centers for Disease Control and Prevention reports that e-cigarettes are smokers' most frequently used aid in quit attempts — more so than nicotine gum or patches, for instance. In a different study, the CDC found that, in 2018, 15.1 percent of people who used e-cigarettes had managed to quit smoking cigarettes for at least six months. That compared with a 3.3 percent quit rate for people using other non-cigarette tobacco products, and 6.6 percent for those using no tobacco products.

An important randomized controlled trial in England, involving about 900 people, found that at one year, 18 percent of participants using e-cigarettes as a cigarette substitute were still not smoking, compared with 9.9 percent using Food and Drug Administration-approved nicotine-replacement therapy products such as patches, gum and lozenges. Population studies suggest that vaping has increased smoking cessation nationwide, and market data indicate an inverse relationship between sales of cigarettes and e-cigarettes.

A recent study by economists explored what happened when Minnesota imposed a substantial tax on e-cigarettes that raised their price, relative to that of cigarettes, by 17 percent. (The state first imposed a tax in 2010, then raised it to its current level in 2013.) Using surveys on tobacco use, and comparing smoking behavior in Minnesota to behavior in states without such a tax, the authors found that cigarette consumption went up by a statistically significant amount, and that smoking cessation decreased. In a prescient move, the authors also calculated how much smoking would increase nationally if e-cigarette taxes were raised to match cigarette taxes (the goal of the provision in the new legislation). They found that approximately 2.75 million fewer Americans would quit smoking combustible cigarettes over 10 years.

Unfortunately, surveys show that a high proportion of the public — about half — wrongly believe that e-cigarettes are as dangerous as, or even more dangerous than, cigarettes. That perception is shared by smokers, and it discourages many from trying e-cigarettes. The current price differential, favoring e-cigarettes, serves as one significant incentive to encourage smokers to try vaping, but the new legislation's tax provision would diminish that incentive considerably.

The problem is not an e-cigarette tax, per se: It's increasing the cost of e-cigarettes relative to cigarettes. Imposing a tax on e-cigarettes to discourage youth vaping may be a good idea. But such a tax should be accompanied by a much larger tax increase on cigarettes. After all, the federal tax of \$1.01 per pack of cigarettes has not been raised since 2009 — and the current U.S. price of cigarettes, about \$7 per pack, is low relative to the cost in many other developed nations.

A modest e-cigarette tax, paired with a greatly increased tax on cigarettes and other combustible tobacco products, would be a win-win: simultaneously discouraging young people from picking up either habit and encouraging adult smokers to quit cigarettes or, if they are unable to do so, switch to vaping. (In fact, doubling cigarette taxes was originally part of the legislation, but that provision slipped out as lawmakers haggled.)

What's more, the proposed new nicotine tax will raise only an estimated \$8.6 billion over the next 10 years — a figure that is hardly worth the cost to public health. A doubled or tripled cigarette tax, by contrast, would increase revenue by 10 to 20 times as much, and it would reduce smoking.

One out of every seven American adults is a smoker today. Half of lifelong smokers die as a result, losing on average 20 years of life expectancy. Quitting smoking, even later in life, cuts that loss significantly. Making e-cigarettes more expensive increases the odds that smokers will cling to their deadly behavior, which is the opposite of sound public

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