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Written Testimony on Utah House Bill 337

Nicotine Product Tax Amendments

Submitted to the House Revenue and Taxation Committee by James Curry, Director of External Affairs, on behalf of PMI US Corporate Services Inc.

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Good morning, Chair Eliason, Vice Chair Ellison and members of the Revenue and Taxation Committee.

My name is James Curry and I am submitting testimony on behalf of PMI US Corporate Services Inc., a part of Philip Morris International and its family of companies. Thank you for the opportunity to offer comment on House Bill 337.

PMI U.S.'s mission is to reduce smoking by replacing combustible cigarettes with less harmful alternatives for the nearly 30 million American adults[1] and 146,000 Utahns who currently smoke.[2]

Fundamentally, people who smoke deserve access to affordable, FDA-authorized smoke-free alternatives with scientific information on the benefits of completely switching from combusted cigarettes, the most harmful tobacco product on the market.[3] Unfortunately, House Bill 337 would severely impact the affordability of such alternative by raising the tax rate on alternative nicotine products and eliminating tax incentives for Modified Risk Tobacco Products (MRTPs).

[1] CDC, Burden of Cigarette Use in the U.S., https://www.cdc.gov/tobacco/campaign/tips/resources/data/cigarette-smoking-in-united-states.html

[2] Campaign for Tobacco-Free Kids, The Toll of Tobacco in Utah, https://www.tobaccofreekids.org/problem/toll-us/utah

[3] FDA, The Relative Risks of Tobacco Products, https://www.fda.gov/tobacco-products/health-effects-tobacco-use/relative-risks-tobacco-products

In Utah, smoking causes an estimated 1,300 deaths each year and costs the state an estimated $135 million annually in Medicaid spending.[4] Smoking rates are especially high among veterans,[5] individuals in lower income brackets and older adults,[6] many of whom are unlikely to quit entirely.[7]

The FDA and broader scientific community recognize that tobacco and nicotine products exist along a continuum of risk, with combustible cigarettes posing the greatest harm and smoke-free alternatives representing lower-risk options. The FDA states, "Adults who smoke who fully switch from cigarettes to a lower-risk alternative can generally reduce their health risk and exposure to toxic and cancer-causing chemicals."[8]

To allow manufactures to communicate the reduced risk claims and scientific information around their smoke-free alternatives, the FDA can grant modified-risk orders meaning the product scientifically demonstrates that it will significantly reduce harm and the risk of tobacco-related disease for individual users and benefit the health of the population as a whole.[9]

This MRTP authorization is an exceptionally high regulatory bar. To date, only 14 smoke-free products on the market have been granted modified risk orders. These products offer smokers an important alternative to the nearly 4,000 combusted cigarettes in the marketplace.[10]

The Modified Risk Tobacco Product pathway was specifically created by Congress to ensure populations could be educated on the relative risk of products, empowering them to transition from more harmful forms of tobacco.[11] Today, though, many who smoke have

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[4] Campaign for Tobacco-Free Kids, The Toll of Tobacco in Utah, https://www.tobaccofreekids.org/problem/toll-us/utah

[5] McDaniel, Justin T, and Robert Klesges. "State-specific cigarette use rates among service members and veterans, United States, 2017." Tobacco prevention & cessation vol. 5 28. 3 Sep. 2019, doi:10.18332/tpc/111536

[6] CDC, Tobacco Disparities Dashboard, https://www.cdc.gov/tobacco-health-equity/data-research/index.html

[7] CDC, Smoking Cessation Fact Sheet, https://www.cdc.gov/tobacco/php/data-statistics/smoking-cessation/index.html

[8] FDA, The Relative Risks of Tobacco Products, https://www.fda.gov/tobacco-products/health-effects-tobacco-use/relative-risks-tobacco-products

[9] FDA, Modified Risk Tobacco Product, https://www.fda.gov/tobacco-products/advertising-and-promotion/modified-risk-tobacco-products

[10] FDA, Searchable Tobacco Product Database, https://www.accessdata.fda.gov/scripts/searchtobacco/

[11] FDA, Modified Risk Tobacco Product, https://www.fda.gov/tobacco-products/advertising-and-promotion/modified-risk-tobacco-products

significant misperceptions around nicotine—and this bill language could discourage their transition to lower-risk, smoke-free products. Research demonstrates that when people perceive less risk, they switch to a less harmful alternative.[12]

Tax policy should reflect differences in risk between tobacco products. A one-size-fits-all tax approach removes incentives for populations who smoke to move away from the most harmful tobacco products. Maintaining the MRTP tax incentive helps ensure that FDA-authorized, smoke-free alternatives remain more affordable than cigarettes, encouraging switching rather than continued smoking which may have significant impacts on public health and rising health care costs in the state.

Eliminating this MRTP tax incentive would hinder the financial incentive for people who smoke to switch to lower risk products and may ultimately prevent consumer access to scientifically substantiated, less harmful alternatives. Maintaining a tax structure that reflects relative risk is a critical tool for improving public health outcomes.

In addition to removing the MRTP tax incentive, House Bill 337 would impose a very high tax rate on alternative nicotine products, including nicotine pouches. Beyond the critical affordability issues already discussed, this policy will also encourage cross-border purchasing by consumers, compromising the state's ability to collect projected revenue.

In Rhode Island, for example, a similar tax that took effect on October 1, 2025 resulted in a 27% drop in nicotine pouch volume by the end of the year.[13] Sales data will likely show that these sales are not the result of reduced sales to consumers, but rather consumers conducting their purchases in lower tax jurisdictions. Like Rhode Island, Utah borders numerous states without nicotine pouch taxes—including Idaho, Arizona and Wyoming. Consumers close to these state borders will be incentivized to make their purchases outside of Utah, depriving the state of the projected revenue and harming in-state businesses.

I urge you not to advance House Bill 337 and instead focus on policies that align with the principles of tobacco harm reduction. Keeping scientifically-substantiated smoke-free alternatives to cigarettes affordable and reasonably taxed is in the best interest of Utahns that smoke, the public health and the state's long-term ability to collect revenue.

Thank you for your time.

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[12] Kim, Shiffman, Sembower, 2022, https://doi.org/10.1186/s12889-022-14168-8
[13] Management Science Associates Inc., 2021-2025 quarterly data.