



To: New York Senate Finance Committee Chair Liz Krueger, Assembly Ways and Means Committee Chair J. Gary Pretlow, and Members of the Committee  
From: [Americans for Tax Reform](https://www.atr.org)  
Re: Testimony, 2026 Joint Legislative Budget Hearing on Taxes

New York State has a spending problem – perhaps the worst spending problem among U.S. states. The state's 2025 budget represented a 40% increase in total spending over the 2020 budget. State spending figures alone still increased by a whopping 37% in this time range.

While a decline in the rate of spending increase represents some small improvement, it amounts to trying to bail out the Titanic with a bucket. New Yorkers cannot afford to live in the state any longer because lawmakers are spending with no control or commonsense.

Any tax hike will only make the state more unaffordable, while doing little to increase revenue figures and nothing to contain spending.

In the case of Governor Hochul's proposal to onerously increase taxes on nicotine products that offer an alternative to smoking, these taxes may well reduce revenues.

**This is why Americans for Tax Reform urges you to oppose the Governor's budget provision that would impose a 75% wholesale tax on nicotine pouches, and a \$0.55 per unit wholesale tax on vapor products.**

These counterproductive taxes would be applied on top of New York's existing 20% retail vapor tax. These are heavy taxes on reduced risk alternatives to combustible cigarettes, including products authorized for sale by the U.S. Food and Drug Administration as appropriate for the protection of public health. At a time of persistent inflation and rising costs of living, this proposal would raise prices on safer alternatives, harm small businesses, and undermine public health goals.

Small, independent vape shops, convenience stores, and gas stations rely heavily on these products for revenue. Imposing new wholesale taxes on top of existing retail taxes would place many of these businesses under acute financial strain, particularly those operating on thin margins or near state borders. Such tax disparities encourage cross border purchasing and illicit markets, threatening jobs, reducing legal sales, and weakening the state's tax base.

The public health consequences are equally concerning. Extensive research shows that e cigarettes are [significantly less harmful than combustible cigarettes](#) and among the most effective tools for adult smoking cessation. A major study from the National Bureau of Economic Research found that Minnesota's e cigarette tax [prevented 32,400 adult smokers from quitting](#) and concluded that taxes on vapor products increase smoking rates, reduce cessation, and lead to more tobacco related deaths. That same research found that for every 10% increase in e cigarette taxes, vapor sales declined by 26% while cigarette sales rose by 11 percent. New York's proposed wholesale vapor tax, layered on top of an already high retail tax, would predictably drive consumers toward combustible cigarettes. This will cost lives.

Higher vapor taxes also worsen outcomes for youth. Research led by Dr. Michael Pesko shows that e-cigarette taxes lead to sizable increases in youth cigarette smoking, with unintended consequences that may more than offset any public health gains.

These taxes would further exacerbate socioeconomic inequality. Approximately 72% of adult smokers are low income, and higher prices make reduced risk products less accessible to the populations most likely to benefit from switching away from combustible cigarettes.

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The FDA has authorized these products after extensive scientific review, finding that they contain substantially lower levels of harmful constituents than cigarettes and that many adult smokers fully switch to them. Taxing these products at extreme levels discourages switching and prolongs cigarette use.

Instead of pursuing tax increases that reduce legal sales, fuel illicit markets, and fall short of revenue projections, policymakers should consider approaches that preserve consumer choice, protect small businesses, and align taxation with relative risk.

**For these reasons we urge you to oppose and reject the proposed tax hikes in the executive budget.**

**About E-Cigarettes and Vapor Products:**

- Nicotine replacement therapies such as nicotine patches and gums have helped smokers quit for decades. In recent years, advancements in technology have created a more effective alternative: **vapor products and e-cigarettes. These products deliver nicotine through water vapor, mimicking the habitual nature of smoking while removing the deadly carcinogens that exist in traditional cigarettes.**
- The [CDC](#) has found that only 3.1% of youths use e-cigarettes daily and youth vaping rates continue to decline sharply, disproving the myth of an ongoing “youth vaping epidemic.”

**Benefits of E-Cigarettes and Vapor Products:**

- **Vapor products have been [proven to be at least 95% safer](#) than combustible cigarettes.**
- The Cochrane Review, the gold standard of medical meta-analysis, has identified “high certainty evidence” that e-cigarettes are more [effective](#) than nicotine replacement therapies at helping those who smoke quit.
- Vaping has been endorsed by over 100 of the world’s leading [public health organizations](#) as safer than smoking and an effective way to help smokers quit.
- When e-cigarettes entered the market in 2003, the U.S. adult cigarette smoking rate was 21.6%. **Due to increased access to vaping, the U.S. adult smoking rate has plummeted to [12%](#) as of 2022.**
- 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 vaping. **This would save more than 44,000 lives in Nebraska.**

**Benefits of Nicotine Pouches:**

- **Nicotine pouches are tobacco-free, non-combustible products** that eliminate exposure to smoke, tar, and the toxic byproducts of burning tobacco—the primary drivers of smoking-related disease. Because they are not inhaled, they sit at the lowest end of the nicotine risk continuum.
- **The U.S. Food and Drug Administration has authorized the marketing of nicotine pouch products** after extensive scientific review, finding substantially lower levels of harmful and potentially harmful constituents compared to cigarettes and evidence that many adult smokers switch completely to these products.
- **Affordability drives switching behavior.** Evidence shows adult smokers are far more likely to move away from cigarettes when lower-risk alternatives remain meaningfully cheaper. Taxing nicotine pouches at rates approaching cigarettes undermines harm reduction, discourages switching, and risks shrinking the legal, in-state tax base.
- **International experience supports importance of pouches to harm reduction:** Sweden—where low-risk oral nicotine products are widely available—has the lowest smoking rates and smoking-related mortality in Europe, demonstrating the long-term public-health and economic benefits of allowing safer alternatives to compete with cigarettes.

Sincerely,

Tim Andrews  
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Americans for Tax Reform