

A detailed Look of the proposed Cook County E-Liquid tax and its effects.

The following is the testimony of Reid Nuttall, 2710 w. 97<sup>th</sup> street Evergreen Park, IL 60805

Today I would like to speak on the proposed E-Liquid Tax for the 2016FY budget. I am making the case that the proposed tax would actually cost the county more dollars in in lost revenue from other purchases thru existing use and sales taxes and in an increased healthcare cost in treating tobacco related illnesses. Known illnesses caused by tobacco use are Stroke, COPD, a variety of Cancers, Myeloid Leukemia, Heart Disease, and Aortic Aneurysm. The auxiliary purchases include but are not limited to fuel purchases, grocery sales, general merchandise and other items.

It is my wish and recommendation to not only find an alternate source of funding but to also proactively encourage use of vapor product for adults that are unable or unwilling to quit tobacco products through conventional means. This proactive step will save the county far more dollars in future costs than taxes collected with the proposed tax and will also contribute to a healthier, happier, and more productive community. This strategy has recently been adopted by the Department of Public Health of Great Britain. I feel a similar strategy would have a progressive and cumulative gain in both budget and wellbeing.

I would like to begin with the goal of the board that I am speaking to today. Per the law of the land this body is tasked with protecting the public wellbeing. Per the State of Illinois mandate of this board... "As mandated by State law, County government has principal responsibility for the protection of persons and property, the provision for public health services and the maintenance of County highways." (<http://www.cookcountyil.gov/about-cook-county/>) It is the responsibility of this organization to make provisions for public health. While the CCHHS was budgeted 1.536 Billion dollars of funding to operate and maintain healthcare facilities the members of this community of 5.3 million people. With the modest figure of \$289.81 per person per year to fund such an operation, prudent and proactive strategies must be used to maintain and operate this infrastructure. The use of tobacco cigarettes is the number one cause of preventable death and chronic illness in our county. These deaths do not come without a financial cost as well. Chronic and severe illnesses associated with long term tobacco usage such as COPD, Throat, Lung, Pancreatic, Bladder and Oral cancer, Heart disease, Pneumonia and Stroke require expensive and long term treatment and care. With the latest data from Cook County shows that in 2015 57% of CCHHS patients had no health insurance and were unable to pay for treatment. These cases then come with an immense financial burden to the tax payers of Cook County. Every COPD emergency room visit (CDC) has a mean cost of \$33,440 (2008). County population data has a COPD rate of 2.3-5.8 per 100,000 residents in Cook County equaling a total number of COPD cases in Cook County ranging from 121,900-307,400 at any time in Cook County. The cost of paying for even a single Emergency Room visit one time for 10% of those cases is \$407,633,600. This is for one of many diseases that will

continue to burden tax payers. An average of 3700 new lung cancer diagnosis occur per year and the deaths of 2407 residents from this horrible disease happen annually. The average cost of a single person's lung cancer treatment is on average \$13,000 per month for chemotherapy and a onetime surgical cost of \$26,000. The total cost of care for the average patient being a total of \$182,000 dollars of out of pocket costs for the county for the first year of treatment.

(<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3150743/figure/F2/>)

Accounting for the high rate of uninsured patients currently using county resources or patients that lose the ability to pay for insurance once diagnosed a modest amount of 100 cases per year treated at CCHHS facilities will cost tax payers \$18,200,000. This number far out ways the projected \$1.5 million in Taxes collected. This pattern continues with each of the critical and acute diseases associated with smoking. The treatment cost for the various disease that are associated with tobacco use far outweighs any possible taxation for tobacco use. Cook County Collected \$131, 573,000 in Tobacco taxes in 2014. This is 11.69% of the \$1,250,000,000 budget for CCHHS for FY2014. Funding for CCHHS increased to \$1,536,000,000 in 2015FY with tobacco taxes rising to \$134,000,000 (projected). The projected dollars being brought in by tobacco are not keeping up with the demand for funds by CCHHS while at the same time increasing the number of tobacco products being sold. The only truly cost effective way to curb healthcare costs is to reduce costs associated with tobacco use and encourage citizens to transition to vapor products. 16.3% of females and 22.3% of males (2012) reported themselves as daily users of tobacco products. This equals an estimate of just over 1 million residents that smoke tobacco cigarettes (2012).

([http://www.healthdata.org/sites/default/files/files/county\\_profiles/US/County\\_Report\\_Cook\\_County\\_Illinois.pdf](http://www.healthdata.org/sites/default/files/files/county_profiles/US/County_Report_Cook_County_Illinois.pdf))

Vapor products have been proven to date to be no worse than 95% less harmful than tobacco cigarettes.\* The potential cost savings in reduced health issues from people that have transitioned far outweigh the potential gains made by this tax increase. Furthermore the general welfare and safety of our residents should always take priority in any matter brought to this board based on your state mandate. My recommendation is to make a small investment by this board by not allowing this tax and implementing an educated awareness program based on verified data to the public at large. You have the potential of extending and improving the lives of over 1 million of your tobacco using constituents.

\*([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/457102/E-cigarettes\\_an\\_evidence\\_update\\_A\\_report\\_commissioned\\_by\\_Public\\_Health\\_England\\_FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/457102/E-cigarettes_an_evidence_update_A_report_commissioned_by_Public_Health_England_FINAL.pdf))

I would now like to examine the lost revenue due to this potential taxation. Consumers are fleeing Cook County and the City of Chicago to avoid the highest general sales tax rates in the nation. (Fortune) With a general sales tax inside Chicago city limits of 10.25% Consumers can see an actual savings of 3% with a short drive to DuPage County (not including Fuel Taxes) or an actual savings of 2.75% in Lake County, or an actual savings of 2.25% for Will County and finally



a savings of 3.25% in Hammond IN. ([www.revenue.state.il.us](http://www.revenue.state.il.us)) , ([www.sale-tax.com/HammondIN](http://www.sale-tax.com/HammondIN)) Driving consumers outside of Cook County to purchase Vapor products will have a multiplier effect for not only the collar districts but the interior districts as well. If a consumer is being forced to travel to purchase vapor products they will also purchase their other goods in the lower tax districts as well. Not only will this taxation substantially reduce the purchases of vapor products and the associated sales tax that is collect but will also cause a great reduction in motor fuel taxes as well as a reduction general sales tax on items like groceries and general merchandise. As these dollars are redirected to the collar counties the economic stimulus multiplier effect of local spending will be redistributed outside of Cook County. Anecdotally about 25% of the customers of my vapor shop, Cool Clouds Vapor Shop of Evergreen Park exclusively purchased Tobacco products from Indiana. I as well made this a practice when I was a Tobacco user. While in Indiana consumers not only do not contribute Cook County taxes on Tobacco Products but also on fuel and general merchandise. The average vehicle has a 14 gallon fuel tank (consumer reports). For a fair comparison I will use a 10 gallon fuel purchase on 2 occasions a month. 20 gallons of fuel = \$1.20 + Sales tax on the Fuel = \$5.24 (average rate of \$3.00 per gallon) + \$.36 accounting for a purchase of \$4.00 in general merchandise at a sales tax rate of 8.75% (current sales tax in Evergreen Park) for each consumer every month. This means for every consumer that goes to a collar county to make just a fuel purchase loses the county \$5.73 per month per consumer. If only 1% of the current 1 million tobacco users in Cook County who are all likely to become Vapor product users leave cook county to avoid taxation the proposed rates, 10,000 people per month travel outside the county to purchase vapor products and go to a gas station in the process for fuel. The missed income on an annual basis will be \$687,600. This is just over 45% of the projected earnings from the entire taxes collected by this proposed taxation. This does not even include the sales tax that would be received for the vapor products themselves. An average sale of \$40.00 (Cool Clouds Vapor Shop average sale in 2015) twice a month results in a total of \$7 in collected sales tax. The additional income via sales tax the total missed revenue for the county would total \$1,527,600. This number exceeds the total projected revenue from the proposed E Liquid tax. Cook County will also miss out on potential tax dollars for general merchandise, food, grocery, and allow for people to book service with companies outside of the county.

In closing supporting this tax is not only a poor moral decision but also a potentially devastating financial decision as well. It is my recommendation to this board that Cook County not only remove this Tax for the 2016 FY but also look very strongly at appropriating a small amount of funds towards advocating the use of vapor products for all current tobacco users and continue to aggressively raise awareness of the dangers of tobacco products to the younger members of our community. Through this dual approach we can help current users of tobacco products to quit and also stamp out the use of deadly tobacco product for our youth at the same time.

I want to thank the Board for allowing me this time today and ask that you make a proactive step towards treating vapor products as part of the solution instead as part of the problem.

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