



Public Health Improvements Through a Risk-Based Tax Structure for Nicotine and Tobacco Products

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Despite the declining smoking rate, cigarette smoking continues to impose immense healthcare costs on Oklahoma taxpayers. Our state [spends \\$3.6 billion in annual health expenditures](#) related to cigarettes, that's \$4,345.65 per smoker in the state. Just as glaring are the negative impacts that smoking has on labor and productivity. A 2022 study from the [American Journal of Preventive Medicine](#) found that the total cost of productivity losses attributable to cigarette smoking in the United States in 2018 was \$184.9 billion and that the median total cost at the state level was \$2.7 billion.

The U.S. Food and Drug Administration notes, that while “[no tobacco product is safe](#)”, non-combustible tobacco products offer fewer risks to the user than traditional cigarettes when switching from traditional combustible tobacco products to an alternative. Cigarette use has declined since the early 2000s, yet smoking remains the leading cause of preventable death both in the United States and Oklahoma. The FDA has declared combustible tobacco, like cigarettes, as [the most harmful form of tobacco consumption](#).

When states began to ban smoking in public places, alternative nicotine and tobacco products began hitting the U.S. market. These products provide an alternate delivery of nicotine and tobacco like vapor products, smokeless tobacco, and heated tobacco products (HTPs). These products provide less risky choices for nicotine and tobacco consumption by individuals switching from traditional cigarettes. By creating a tax differential that encourages consumers to adopt smoke-free alternatives, the expected decrease in smoking rates among adults in Oklahoma would have a significant offsetting effect on the state's healthcare costs and increase labor productivity.

Global instances of the use of HTPs and other less harmful alternatives to smoking

HTPs Reduced Smoking Rates in Japan

In 2000, nearly [50 percent](#) of Japanese men and 33 percent of Japanese adults were cigarette smokers. This public health risk required a transformative approach that could take advantage of the country's advanced economy, sophisticated consumer base, and willingness to adopt innovative technologies such as heated tobacco products (HTPs). HTPs heat tobacco to a carefully controlled temperature short of the point of combustion, thus producing no smoke. These products provide adults with the nicotine they enjoy while simultaneously reducing their exposure to the toxic smoke inherent with cigarettes.

After the introduction of HTPs in Japan in 2015, cigarette sales fell by an average of [nearly 10 percent](#) per year from 2015 to 2018. Data from the [Tobacco Institute of Japan](#) further demonstrated the positive impact of HTPs, with cigarette consumption in Japan decreasing by 44 percent in the five-year period following their introduction. This represents the single largest decline in Japan's history.

The Swedish Experience

Sweden has tobacco usage rates comparable to other European countries, yet the risk of a man dying from a tobacco-related illness in Sweden is less than these other nations. This phenomenon has been described as the “Swedish Experience.”

Though just 10 percent of men in Sweden smoke cigarettes, the lowest in Europe, 18 percent of Swedish men use snus, a powdered tobacco pouch that is placed under the lip. While snus is not without negative health effects, numerous studies have shown the health risks are substantially lower than smoking.

The Swedish government is embracing risk-based taxation to help nudge existing smokers toward better products, and in 2023, [reduced taxes](#) on the popular snus.

State Tax Structure Success in Smoking Decline

Creating a tax structure that is based on the spectrum of risk is a next step to increase the number of people quitting smoking. States have seen success with modifying their tax structure to decrease smoking. [Massachusetts](#) saw a 19.7% decline in cigarette consumption after four years of an increase excise tax.

[The Tax Foundation](#) proposes that the structure of taxes for tobacco and nicotine products should be based on harm. Rates for taxing less harmful alternative to cigarettes could look like the following:

1. “50 percent reduction: very low nicotine cigarettes, loose tobacco
2. 75 percent reduction: heated tobacco products, moist oral tobacco
3. 90 percent reduction: vapor and modern oral (snuff, snus, and pouches)
4. 100 percent reduction: nicotine replacement therapies (gums, lozenges, and patches)”

Source: The Tax Foundation, How Should Alternative Tobacco Products be Taxed?

Improving Our Tax Policy Should Just Be the Beginning

Beyond updating our tax policies, Oklahoma policymakers should take other steps to reflect the entry of better, smoke-free products into the marketplace. First, we should craft a regulatory framework that broadens access to smoke-free alternatives for legal-age adults while at the same time pursuing strong youth prevention policies. Especially since, [22% of Oklahoma's high school students](#) are using vape products—that's more than twice the national average—putting Oklahoma's future workforce at risk for serious health outcomes.

Second, Oklahoma should develop and deploy public awareness and education campaigns that engage adult communities and provide accurate, concise information on switching to reduced-risk tobacco products while leaving cigarettes behind.

Conclusion

Policymakers in Oklahoma have an opportunity to dramatically improve public health by leveraging the wave of innovation that is currently transforming America's tobacco and nicotine industry. By adopting the recommendations above, specifically by crafting a risk-based taxation policy that incentivizes adult smokers to switch to less risky alternatives, Oklahoma can create a smoke-free future and significantly improve public health for decades to come.

