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## Memorandum

**Date:** April 7, 2026

**To:** Members of the House Finance Committee

**From:** Adam Hoffer, PhD, Director of Excise Taxation, Tax Foundation

**Subject:** House Bill 8188 Regarding Nicotine Pouch Taxes

**Stance:** Neutral; Tax Foundation does not make direct recommendations on legislation

House Bill 8188 (H 8188) would move nicotine pouches from the broad tax category of other tobacco products (OTP) to its own tax category. The tax would change from an *ad valorem* tax of 80 percent of the wholesale price to a specific tax of \$2.00 per can.

Moving to a specific tax better aligns with Tax Foundation's recommendations for how to tax alternative tobacco products. Tax Foundation recommends specific taxes for modern oral products, using either a weight-based system or a specific tax per can, as H 8188 would apply.<sup>1</sup>

Tax Foundation also recommends that modern oral products receive a reduced rate that is at least 90 percent less than the tax rate applied to cigarettes in order to maintain price differentials between less harmful products and cigarettes. Having less harmful products priced lower than cigarettes is essential to incentivize smokers to switch their consumption.

The \$2.00 tax per can of 20 nicotine pouches proposed in H 8188 is roughly 44 percent of the \$4.50 tax rate applied to a pack of 20 cigarettes. A tax rate of 10 percent of Rhode Island's current cigarette tax rate would be \$0.45 per can.

Legislatures are charged with the difficult task of striking the right balance between reducing the harm caused by smoking, raising enough revenue to fund smoking cessation and other public health programs, and maintaining a legal, well-regulated marketplace where participants can safely transact. As you consider these matters, we are happy to be a resource and would be delighted to provide you with more research on this topic.

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<sup>1</sup> Adam Hoffer, "How Should Alternative Tobacco Products Be Taxed?," Tax Foundation, Aug. 24, 2023, <https://taxfoundation.org/research/all/federal/taxing-alternative-tobacco-products/>.