

March 24, 2026

Senate Committee on Finance
Rhode Island Senate
82 Smith Street
Providence, RI 02903

Subject: S.3131 – Support of proposed nicotine pouch tax methodology

Dear Chair DiPalma and Members of the Senate Committee on Finance:

Thank you for the opportunity to submit comments on S.3131. Reynolds American Inc. (RAI) and its operating companies¹ support the proposed tax methodology of levying a “per-can” excise tax on nicotine pouches included in H.3131.

The proposed per-can excise tax is fair, equitable, and easier to enforce

Rhode Island presently applies an 80 percent ad valorem excise tax to nicotine pouches, taxing these products based on wholesale price rather than actual consumption. While this approach may appear straightforward, it creates inequitable taxation across similar products, introduces instability in state revenue, and may undermine public health goals by discouraging adult smokers from transitioning to potentially lower-risk alternatives.

Reynolds supports replacing Rhode Island’s ad valorem tax on nicotine pouches with a specific, per-can excise tax that is based on consumption rather than price. Under the current an ad valorem tax, higher-priced products pay substantially more tax, even though the consumption is identical.

The current structure creates unequal tax treatment within the same product category, where cheaper products face lower taxes and more expensive products face higher taxes, despite the amount of product consumed being the same. A per-can excise tax corrects this inequity by ensuring that taxation reflects actual product consumption.

Ad valorem taxes rely on wholesale pricing, which can fluctuate frequently due to manufacturer discounts, promotional pricing, and temporary invoice adjustments. These price fluctuations directly affect tax collections, making revenue less predictable for the state and less transparent for consumers.

By contrast, a per-can excise tax provides stable, predictable revenue because it is tied to units sold, not invoice pricing strategies. Rhode Island already relies on this proven framework for other excise taxes, including cigarettes, motor fuels, and alcohol, all of which are taxed based on consumption rather than price.

Specific excise taxes also offer clear enforcement advantages. The proposed per-can tax allows regulators to verify compliance by counting units sold, eliminate disputes over wholesale pricing, and reduce the risk of invoice manipulation or artificial discounting. Under an ad valorem system, wholesalers can reduce tax liability by adjusting pricing structures. A per-can tax eliminates this risk entirely and simplifies audits, inspections, and compliance monitoring.

Nicotine pouches should be taxed based on their relative risk to other tobacco products

While no tobacco product is safe, FDA and other health organizations have embraced that there exists a continuum of risk for tobacco products. This continuum of risk recognizes that nicotine pouches are likely much less harmful than combustible cigarettes. As a result, excise taxes levied on potentially reduced risk products should reflect this difference in risk and incentivize smokers, who would not otherwise quit, to switch to these products.

FDA acknowledges that “nicotine pouches can generally be a lower-risk alternative for adults who smoke cigarettes.”²

In fact, FDA recently announced a pilot program focusing on streamlining product reviews specifically for nicotine pouches “based on the understanding that the health risks for different tobacco products exist on a spectrum – sometime referred to as a “continuum of risk””.³ Nicotine pouches do not involve combustion and therefore expose users to far fewer harmful constituents than cigarettes. Maintaining an excessively high tax on nicotine pouches discourages adult smokers from switching to potentially reduced risk products, undermining public health objectives.

Conclusion

Rhode Island has an opportunity to modernize its nicotine pouch excise tax structure in a way that is equitable across products, more predictable for state revenue, easier to enforce, consistent with existing excise tax policy, and aligned with public health goals.

Replacing the current 80 percent ad valorem tax with a specific per-can excise tax would advance all these objectives.

In conclusion, RAI supports the proposed “per-can” tax methodology included in S.3131.



Testimony by RAI Services Company

¹ RAI Services Company (RAIS) is a wholly owned subsidiary of Reynolds American Inc. (RAI) that coordinates government relations matters for RAI and its subsidiary operating companies.

² <https://www.fda.gov/tobacco-products/health-effects-tobacco-use/relative-risks-tobacco-products>

³ <https://www.fda.gov/tobacco-products/ctp-newsroom/fda-launches-program-more-efficiently-review-nicotine-pouch-applications>