

KANSAS VAPERS ASSOCIATION

212 SW 8th Avenue, Suite 202

Topeka, KS 66603

March 23, 2017

To: House Taxation Committee

Re: SB130, clarifying the definition of consumable material on e-cigarette tax

SUPPORT SB130

The Kansas Vaper Association (KVA), representing hundreds of primarily locally-owned retailers across the state, asks you to vote Yes on SB130, clarifying the definition of consumable material on the taxation of e-cigarettes.

This legislation passed the Senate Assessment and Taxation Committee unanimously and was recommended for favorable passage. It passed the Senate 40-0.

SB 130 enacts four necessary clarifications:

- It provides the Department of Revenue the enforcement powers it needs to collect the tax
- It provides for an implementation date of July 1, 2017
- It clarifies the definition of consumable material as any material consumed in an e-cigarette
- It sets the tax at 5 cents per milliliter, putting Kansas equal to most other states which have a similar tax

Failure to act will ensure Kansas consumers see an **upwards of 50% price increase** on vaping products and Kansas will have the largest tax of this kind in the United States. It will push consumers to shop across borders in Missouri, Oklahoma and Nebraska; put Kansas stores out of business; and make it more difficult for consumers who use e-cigarettes as an alternative to quit traditional tobacco products.

Our industry will pay its fair share. However, the current tax is well beyond a fair share. To date, this tax has not been collected, the state is not relying on it for collection and no harm will be done to the current fiscal situation if you make this change. Sales tax is currently, and will continue to be with passage of SB130, collected on these products.

It is unnecessary for Kansas to have the highest tax of this kind in the U.S. – and by a wide margin! Only three other states have a similar tax: North Carolina, Louisiana and West Virginia. North Carolina and Louisiana are at 5 cents per milliliter, West Virginia 7.5 cents. Therefore, **Kansas is 13.5 to 15 cents higher than any other state with a similar tax.** If the Legislature had held hearings on this issue in 2015, it would have selected a tax rate more in-line with other states.

In 2015, NO bill was introduced, the issue never had a hearing, was not passed by a committee, never had discussion on the floor of either Chamber and never passed the House or Senate. It was placed into an Omnibus tax bill in conference committee with no discussion during overtime of

the 2015 session. With respect to this body, it violated its own rule that an issue must pass at least one chamber for it to be inserted into a conference committee.

Since that time, **the issue has been so complicated that rules and regulations are still not finalized.** The Kansas Department of Revenue has worked to find reasonable and manageable ways to enforce the tax. The Department and industry have worked closely together on this legislation, ensuring SB130 solves all concerns and allows the tax to be collected properly.

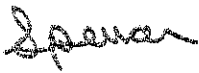
One size does not fit all: e-cigarettes products are not produced, distributed and sold using the same model as traditional cigarettes. The current tax makes e-cigarettes less affordable than traditional cigarettes. **It is not proportional.** E-Cigarettes are not tobacco products. Keeping them affordable has helped Kansans quit tobacco and lead healthier, smoke-free lifestyles. It is in the best interest of public health that e-cigarettes be available at a reasonable cost to adults who wish to switch from traditional tobacco products. No one is advocating non-smokers take up e-cigarettes. However, these products are healthier alternatives for those trying to quit a smoking habit and have played a key role in helping smokers live healthier lifestyles.

Much of e-cigarette products are sold by small businesses. The current tax rate places an undue hardship on these vendors, making it difficult to do business. These shops pay considerable taxes – sales, property, employment, etc. They employ thousands across Kansas. Hindering revenue puts all of this at risk.

The passage of SB130 solves these issues and puts Kansas in a proper tax position on e-cigarettes moving forward. We thank you for your support.

I am always happy to discuss this issue with you and answer any questions you may have.

Respectfully Submitted,



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Kansas Vapers Association

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The Kansas Vapers Association was founded in 2014 by vaping product consumers and retailers to provide education to anyone who wants to learn more about vaping products, and helps protect vaper's rights on the local and state level. Spencer Duncan is a native Topekan, resident of the Capital City and non-smoker working to reduce the negative impacts of traditional tobacco products.