

Testimony of Alec Cardellino
House Finance Committee
March 26, 2015

Chairman Smith, Vice Chair Schuring, Ranking Member Driehaus and members of the House Finance Committee, my name is Alec Cardellino and I sincerely appreciate and thank you for the opportunity to appear before you.

Today, I hope to convey, far beyond my opposition to HB 64 and concerns for an being burdened with what I consider to be the antithesis of a fair and equitable tax, a perspective that by allowing the vapor industry to operate in a laissez faire manner this would benefit the state, it's taxpayers and everyone contributing to the vapor industry far more than the proposed tax could ever provide.

I would like to start by telling the committee a little about myself, our business, the members and those, in the state of Ohio, that we do direct business with. My longtime friend and business partner, Alan Pfeuffer and I founded Evolved Vapors in 2013. Due to our individual success with becoming tobacco free largely in part to the use of the more primitive forms of the vapor products we sell today, we decided that it would be very fulfilling to create a place in which great products and individualized service, support and knowledge were available to our friends, family and neighbors. At the time there were, but very few, no local establishments that offered these goods and services.

As I am sure this committee is becoming aware, our industry is very complicated, or products widely varied, and made further complicated by the chemistry, math, and electrical science that is required to grasp the whole of what these products are. Evidence of that would be indicated by the language in this bill that would claim that based on the pack of cigarette to 2ml of e-liquid equivalency, I'm currently consuming between 7 and 10 packs of cigarettes a day. This I can assure is not the case. Due to Alan's vast experience with electrical science from one of his previous careers in audio engineering and my knowledge base of chemistry and mathematics from my math and physics focus in college, it occurred to us we had the skills necessary to bring forth the reality of our dream and educate people effectively.

At the time we founded Evolved Vapors, Alan and I were gainfully employed as regional managers in a very successful company here in Columbus. I will never forget the look on my wife's face when I told her I was leaving my job and clearing out our savings to open a vape shop in the midst of our first pregnancy, to say the least she was not happy. Though, after some heated discussion, she saw what I hope this committee will see in me today, my absolute drive and determination for the rights of our industry. With her consent, and that of Alan's wife, we did everything in our power to turn our dream into reality.

Fast forward to today. We have successfully brought this dream to reality far beyond our initial expectations. On Monday of this week we signed the lease on our third location and have started construction. Due to that, we have promoted a great hourly employee to be our second store manager and placed him on salary at our manager's rate of \$36,500/yr. As of today we have, including the managers, four

employees and expect to have four by the end of April. Our starting wages are far from minimum wage and we strive to provide a healthy work environment in which upward mobility and advancement is nothing short of our standard of excellence. We are currently remitting over \$5000/month in sales tax and with the terms of our leases we are contributing substantially to the income taxes on our locations.

And with great despair, I would like this committee to understand that if House Bill 64 passes in its current form, without exaggeration, all of this will come to a screeching halt. After strenuous deliberation and considerations for our financial reality and responsibility we have to our customers we have concluded that there is no realistic way in which we could operate in the State of Ohio any longer. We would be forced to send our customers back to online purchases or black market activity while we would be left packing up our families, my newly born buckeye baby and remnants of inventory and relocating to a state in which our industry would be welcome.

This is why I stand before this committee today. Because in my eyes this tax proposal is not asking for us in the vapor industry to contribute to the state, it is asking me to either stay here and struggle to keep my doors open by endangering my customers by offering 0mg e-liquid that they would have to add nicotine to, which can be very dangerous to someone without proper experience. Failing that, to pack up and leave my home, my friends, and those loyal customers and the city and state I have long pledged my allegiance to and head elsewhere to continue my contributions to my industry. I love this state, and due to that I plead with this committee to remove the language in this bill that would inevitably create this reality. Allow me, my company and the thousands of shop owners, liquid manufactures, local craftsman and product designers to continue to provide the millions of dollars in sales tax and local cash flow that we have already created here. Considering that our industry is still in its infancy, if you will allow our industry to grow and flourish, those numbers being discussed will only get larger and more beneficial to interests on all sides.

Small fact, it is considered now that nationally Columbus is leading the trends of the entire industry with very large and reputable brands being founded here. To briefly name a few, in which we conduct business with on a regular basis, we have our three great local e-liquid manufacturers Simply, Columbus Vapor Company and Simple Vapor Co., who are all now conducting sales nationally, all founded in my current hometown of Westerville. We also carry custom made devices made by Fusion Box Mods and Stillco from also from right here in Columbus. All of these businesses would take substantial losses if this bill passes in its current form. Given the dictum "as goes Ohio, goes the nation", I think that rather than stifling the growth of our industry we should rather be promoting it and setting an example for others to follow. Because, unfortunately, the alternative is that between cross border sales, job loss in the thousands and the creation of a black market, this e-liquid tax, with the previously mentioned consideration, will generate only a minute fraction of what the unhindered sales tax revenue is. This means that after all the trouble that HB64 will cause if passed in its current form, the state will still take substantial net losses to its General Fund, which is fundamentally counter intuitive.

Though only one tenant of this tax proposal is what makes it impossible for me to conduct business here any longer, I believe it is worth mentioning that several other topics in this bill which include, increases in Commercial Activity Tax, taxing professional services as goods and floor taxes on inventory further complicate not only the vapor industry, but nearly every other business in the State of Ohio. And what I fear and I hope this committee does too, is that placing Ohio businesses in such a position that they are forced to consider relocating elsewhere as well. It appears to me that the best course of action would be to allow Ohio businesses to stay in Ohio and generate income here. The stark reality being that otherwise, there are 5 bordering states that would love to have us.

In closing I would like to remind the committee that this bill plans to apply the colloquial "sin tax" to something that I, my business, the Ohio Vapor Trade Association (OHVTA), and tens of thousands of Ohio residents would likely consider a blessing. And though I am not here to make medical claims, it is obvious to me from my time in this industry that vapor products are improving the quality of life of those who choose to use them instead of their combustible counterpart. And frankly, given my stance as a consumer, I would rather turn to a black market, online, or drive out of state than to become one of the 448,000 Americans who die per year from smoking related illness (cdc.gov).

With one last perspective I would like this committee to understand that behind any monetary and business interests I have in this industry, I will stand steadfast in support of vaping. This is because in today's turbulent times I hold true that my industry encompasses the breadth of the American Dream. From the rebirth of American manufacturing, to the influx of small business growth, to the focus on local economies we are redefining what the foundations of a billion dollar industry are generally accepted as true. I am also aware that this is not our first or last fight that I will be involved in on behalf of the vapor industry. With federal regulation on our industry right around the corner as well, I ask this committee once again to remove mention of Vapor from HB 64, because aside from everything else I mentioned here today opposing both simultaneously would leave little to no time for me to sleep, which my doctor keeps insisting I get more of.

I would invite this committee to reach out to your local vape shop or member of the OHVTA to allow us, together, to further the education and awareness of what our industry really is. It has always been my understanding that a little knowledge goes a long way. And though, quite a few of us in the industry are bearded and tattooed, I assure you we are a very friendly and welcoming bunch and your inquiries are always welcome. As I discussed earlier, this is the reason I came to this industry. To try to remove the veil of speculation and uncertainty and, to my best capability, offer an objective and welcoming knowledge base for those interested to hear it.

I would implore the members of the committee to address any questions, not only about my testimony, but rather anything that comes to mind about the vapor industry, its

product, liquid or otherwise. As I tell my customers on a daily basis, "always ask us anything, even if it seems ridiculous". There is no such thing as stupid question in an environment so new and complicated. I hope that this message be spread amongst the General Assembly, because with our continued cooperation we can start to clear up the misunderstanding and scrutiny that will cloud and stifle the growth of an amazing new industry.

Thank you Mr. Chairman and members of the committee, as I hope is clear by now I'd be happy to answer any questions you may have.