



Before the Senate Finance Committee
Am. Sub. House Bill 49 Interested Party
James Jarvis, President
Ohio Vapor Trade Association
May 31, 2017

Chairman Oelslager, Vice Chair Manning, Ranking Member Skindell, and members of the Senate Finance Committee, my name is James Jarvis and I am the President of the Ohio Vapor Trade Association (OHVTA), I am also a vapor store owner myself with several locations throughout central Ohio.

The Ohio Vapor Trade Association is made up small and medium sized business owners who own vapor stores, e-liquid manufacturers and distributors around Ohio. Currently, there are roughly 750 vapor stores around the state, of those, 20 are owned by out of state corporations. The rest of the stores are owned by hard working individuals who have, in some cases, cashed out their life savings to open a retail store. Additionally, our members employ thousands of Ohioans in nearly every county of the state and on average pay above minimum wage to all employees.

As you know, the Governor proposed raising the tax on other tobacco products (OTP) from 17% to 69% and including vapor at the 69% rate. Additionally, he proposed a \$1,000.00 licensing fee for vapor distributors. Currently, sales tax is the only tax collected on all products sold within our stores. On average, most vapor stores collect between \$7000 and \$10,000 per month in sales tax. Including vapor with OTP and taxing it at 69% will, in some counties, would represent a 961.5% increase in the tax ultimately paid for by consumers. I know of no other industry that has experienced nearly a 1000% increase in their tax structure and survived.

OHVTA thanks the House for removing the Governor's proposed tax and strongly encourages the Senate not to seek any additional taxes on vapor products.

We strongly believes that any significant tax increase on vapor products would result in stores shutting down, which would not only put employees out of work, but would also be a loss to GRF as sales tax would no longer be remitted. As a comparison, we only need to look to our neighbor to the east to see the detrimental effect of taxation of vapor products. The State of Pennsylvania implemented a 40% wholesale tax in October of last year. Since that time, a third of the vapor industry in Pennsylvania has closed. Because of the 40% wholesale tax, over 100 retail businesses have closed forcing approximately 1,000 workers to be laid off. This has led the Pennsylvania legislature to consider several bills that would lower the amount of or even repeal the tax.

Taxes on vapor products by their very nature are a regressive tax. Over 25% of Americans below the poverty line smoke combustible cigarettes while only approximately 15% of people who are over the poverty line smoke. This has led to hundreds of billions in direct health care costs to our state and federal governments to address the effects of smoking. Further, combustible cigarettes have led to the unnecessary death of over 6 billion people.

However, according to the Royal College of Physicians, vapor products are over 95% safer than combustible tobacco. Further, Mitch Zeller, the Director of the FDA's Center for Tobacco Products, has stated that if we could get all those people who smoke to completely switch all of their cigarettes to vapor products, it would be good for public health. Therefore, to treat vapor products from a tax and regulatory perspective in the same or similar manner to combustible cigarettes would cause us to take a step back not forward in our quest to end smoking.

I would also like to call your attention to written testimony submitted by the Vapor Technology Association which discusses several of the health studies in more detail that I have mentioned as well as others.

I appreciate your time and your attention to this issue and again, I urge you to not include any tax on vapor products in the Senate's version of the biennial budget. I would be happy to answer any questions you may have. Thank you.