

Testimony of Jeff Kathman
Before the Senate Finance Committee
Am. Sub. House Bill 49
Interested Party Written Testimony
May 31, 2017

Chairman Oelslager, Vice Chair Manning, Ranking Member Skindell and members of the Senate Finance Committee, my name is Jeff Kathman, I submit this testimony on behalf of my wife, Patty Kathman, and her business. She is the owner of Cincy Vapors LLC, which is located in Cincinnati, Ohio. She opened her first store in August of 2013, her second in May of 2014 and her third in March of 2016. She had plans for more locations, but those are now on hold due to the Governor's proposed tax increase on vapor products.

I respectfully ask that you not include any tax increase on vapor products in the Senate's version of the budget. Any increase in taxes will not only force her to close her stores, it will force all vapor stores in Ohio to close.

Her first vape shop is located at the retail location of my former business. It was an RYO rolling machine store, which was forced, closed by the federal legislation in July of 2012. Between the closing of it and the opening of her new store, I was forced to continue to pay rent on an empty unused retail location. She saw the idea of a vape shop while visiting her family in Florida. Upon her return she proposed the idea of her own shop using the retail space, which I thought, was a great idea. She now has 3 stores with 11 full and 7 part time employees with most of those wanting full time positions. 7 of the 11 full time are raising families with them being the bread winners. All of these jobs are well paid positions, they are all well over minimum wage, including the part timers. These employment numbers were expected to do nothing but grow, but now she fears the utter devastation of this tax.

A tax of this magnitude will not only be crippling to vapor shops and the vaping industry in Ohio but it will be absolutely devastating to vaper stores in the Cincinnati area due to the fact we will have a border state with no eliquid tax as well as internet sales, If passed a customer will be able to drive no more than 15 minutes to Kentucky to buy their untaxed eliquids plus any of the other items they typically purchase at their local vaper stores. In the past, "Sin Taxes" or tobacco taxes have been far more damaging in this area than other parts of the state simply because the northern bordering states had higher Tobacco taxes. Sadly, this will not be the same kind of result... It will be far

worse. This industry was started on the Internet and since the Internet is available everywhere this will ruin any chance of a single vapor store surviving. Eliquids make up 58% of her sales. If enacted that business will be gone, leaving only her to sell hardware, which will dwindle to nothing because her eliquid customers are the ones who are buying the new hardware and supplies. All of this will be purchased out of state or back on the Internet. If passed she will not be able to survive and will close prior to January 1 when the tax will be implemented. Which will result in the loss of jobs, sales tax revenue, payroll taxes and many more empty retail locations. I know this for a fact... I was the owner of a tobacco store in Delhi Ohio, a community located less than a 5-minute drive to Kentucky. In 2006 when Ohio raised the tobacco tax I lost 60% of my business over night and was forced to lay off 5 employees and close the store soon after. My wife and every other vapor shop in Ohio will suffer the same fate....

All that I have mentioned so far are the financial implications of this tax. But there is another, just as concerning side to this issue, which is the health ramification. Now, I'm not a doctor and won't make any health claims, but what I can say is that every one of her employees are former smokers. This product has enabled each one of them to walk away from Tobacco and Cigarettes (which they have tried multiple times before, all unsuccessfully). Over 90% of her customers are also former smokers. If enacted this will likely force all those who are not Internet savvy back to cigarettes and all their former health problems simply because of the eliquid cost and convenience. Because it will be too expensive and just too easy to go any gas station or corner store and buy cigarettes again. I would also like to explain why the health reasons have become very personal to me. My mom passed away in June at the age of 75, of lung cancer, due to smoking. She was a wonderful woman that was 35 plus year smoker... and hated every minute of it, because it totally controlled her life. She actually called me a legalized drug dealer when I told her I was opening a tobacco store way back in 1996. The entire time I owned the stores, she never bought a single cigarette from me because she hated cigarettes and hated I was a facilitator of such an evil drug... Her words, not mine. Now not only am I passionate about saving my wife's business for the obvious reason of her money but more than ever for this opportunity to possibly change someone's life... maybe even save their life. Trust me when I say this, I don't think there is any worse way to die then from lung cancer. Seeing her suffer in pain was unbearable and no one should ever have to go through that or worse watching a love one suffer to the end that way.

In closing, I beg and plead with you to eliminate this tax from the current budget proposal. Please make Ohio vape friendly and keep this money in Ohio

where it belongs. Help save over 700 vapor related business mainly mom and pop operations and the thousands of jobs that go with it! Keep this emerging business in Ohio... Please do not force her or anyone to close their doors or take her business out of the state, like her customers will surely do.

Thank you Mr. Chairman and members of the committee for allowing me to submit this testimony.