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**Proponent Testimony re: SB 130  
House Taxation Committee  
Presented Orally by Ronald R. Hein  
on behalf of  
RAI Services Company  
March 23, 2017**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for RAI Services Company.

RAI Services Company is a subsidiary of Reynolds American Inc., which is the parent company of R.J. Reynolds Tobacco Co., the second-largest U.S. tobacco company; American Snuff Company, the second-largest manufacturer of smokeless tobacco products; Santa Fe Natural Tobacco Company, manufacturers of Natural American Spirit tobacco products; Nicovum USA, Inc. and Nicovum AB, which market innovative nicotine replacement therapy (NRT) products under the Zonic brand name in the United States and Sweden, respectively; and R.J. Reynolds Vapor Company.

RAI Services Company strongly supports SB 130 as amended by the Senate Committee. This bill sets the tax on E-cigarettes at 5 cents per milliliter of consumed material, establishes the effective date as July 1, 2017, and modifies the definition of consumable material. These changes have been necessitated by unforeseen circumstances arising from the previously passed E-cigarette tax.

The original rate of the tax had been established at the specific request of a Senator no longer in the legislature, was larger than the rates of taxation in most other states, and proved especially problematic for vape shops in Kansas, due to the specific circumstances of their business model. A representative of the Kansas Vapers Association can address such concerns.

This legislation, which is a compromise between the Kansas Vapers Association; RAI Services Company, which had originally proposed the E-cigarette taxation legislation; and the Kansas Department of Revenue, addresses the substantive and administrative problems which have delayed and plagued the enforcement of this tax by the Kansas Department of Revenue.

SB 130 passed the Senate by a 40-0 margin, and we urge the House Taxation Committee to recommend SB 130 favorably for passage.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.