

Committee on Assessment and Taxation

Kansas Legislature

Topeka, KS

Tues., Feb. 14, 2017

Public Hearing to Discuss SB 130

AN ACT concerning the cigarette and tobacco products act; relating to consumable material

Prepared Testimony by:

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Good morning Chairman Tyson, Vice Chairman Kerschen and members of the Committee on Assessment and Taxation.

My name is Steve Gentry, and I'm senior director for regulatory tax in the Tax Department at 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; Niconovum USA, Inc. and Niconovum AB, which market innovative nicotine replacement therapy (NRT) products under the Zonnic brand name in the United States and Sweden, respectively; and R.J. Reynolds Vapor Company.

I'd like to thank you for the opportunity to testify here today on Senate Bill 130, and I'd like to commend the Kansas Department of Revenue for submitting this bill to clarify the definition of consumable material in vapor products, also known as e-cigarettes.

We are supporting this bill because we understand that the Department of Revenue will be proposing an amendment at this hearing that will resolve an issue that we had with Senate Bill 130 as it was originally written.

We understand that the proposed amendment would result in the definition of consumable material being, "Any liquid solution or other material that is depleted as an electronic cigarette is used."

Given their growth in popularity, we believe that it is extremely important to get the taxation of vapor products correct for those states that choose to tax these products.

It is my understanding that clarifying the definition of consumable material is essential for the department to begin to administer the existing vapor tax law, which is more fair and easier to administer than SB 54, which we are also here to discuss today.

We agree that the State needs to have a good definition of consumable material as it refers to vapor products or e-cigarettes and support Senate Bill 130 with the noted amendment as it is currently written.

When deciding to tax vapor products, all of you in the state legislature took a leadership role in establishing a fair and workable tax policy on this product. We believe SB130 with its amendment provides the appropriate clarity in defining consumable material, which will allow the vapor law that was approved in 2015 to be easily administered and enforced.

Thank you for your time and attention.