

Chairman Cook and members of the Senate Finance and Tax Committee. My name is Darius Endres and I am here to testify against Senate Bill 2189. I come before you as a small business owner in Fargo, whose predominate business is the selling of vapor products which are also known as electronic cigarettes although my industry has long abandoned that term as we do not see us as selling cigarettes we see ourselves as selling a tobacco cessation product. It is our belief that our products aids in the quitting of cigarette use by the providing of nicotine through inhalation as a vapor, creating the same oral sensation as a cigarette while being absent of the many deadly chemicals such as tar that is used in traditional cigarettes. Our products have been proven in peer viewed studies internationally to aid in the quitting of cigarettes and eventually in the ending of nicotine use altogether. We achieve this by selling various percentages of nicotine with products ranging from 50% to 0%, which allows the individual to gradually lower their nicotine intake each time they purchase new liquid. A customer will typically purchase a bottle of liquid each visit which will approximately last them 2 weeks. Meaning that in an ideal world this customer will be nicotine free after 2 months. In the worst case, the customer will use our product as a substitute for cigarettes but even then they are no longer exposing themselves to the carcinogenic(cancer causing) substances found in traditional cigarettes, meaning that even if they should fail to ween themselves off nicotine, they are no longer ingesting as many harmful chemicals. This means that even when my business fails to reach its goal we are substantially improving the health of our customers by eliminating the exposure to all the harmful chemicals found in traditional cigarettes with the exception of the nicotine. Even when we fail we still succeed by creating a healthier individual, although not as healthy as we would all desire. In this way, while my product contains nicotine is much more comparable to nicorette Gum or a nicotine patch than a tobacco product. The gum and patch are not taxed under this bill because they are cessation products and this is what I believe is the error in this bill. You are treating my products as it is part of the problem when it truly is part of the solution.

If this bill were to pass, there would be drastic consequences for my industry. Currently, my best selling products are sold to me at a wholesale price of \$6 and I retail them for a price of \$9.30. Which means that my gross margin is \$3.30. My competitors in Moorhead also retail their products for the same price. If this bill were to pass, in order to preserve my margins, the price for my customers would increase to \$13 which would make me uncompetitive to my Moorhead neighbor being 40% higher than them. Unfortunately, I can not cut the product price enough to stay competitive with Moorhead should this bill pass. Even in the hypothetical scenario of me cutting my price such that post tax I am equal to Moorhead, I would be left with a 5% gross margin and a net margin of -10%. Meaning I would lose money every time I sold a product. Businesses with negative margins go bankrupt very quickly. As a result, I would be forced to close my store and lay off my multiple employees, which would leave 5 families unable to provide for themselves. Once my store closes, 1 of 2 things would happen. Option 1: my customers drive across the river to Moorhead, MN decreasing your sales tax revenue but they get to continue on their journey to quitting cigarettes. Option 2: the customer is unable to acquire my products, which leads to them continuing to smoke cigarettes therefore increasing their chance of a heart attack, stroke, emphysema, or a variety of cancers causing them great personal suffering or even death.

Senate Bill 2189 if passed, will ensure that individuals are unable to quit smoking cigarettes if they don't live near the border, businesses are forced to close, and will serve only to decrease your sales tax revenue in border cities as people will simply cross the river going to Minnesota to purchase these products. The only benefit I can see to this bill is that current smokers will continue to pay the tobacco tax as they slowly die as they continue their current addiction without the tools to stop it. Vaping ends nicotine addictions, so as a state we have 2 choices. The first is to profit off of the sick and ill as they slowly kill themselves for a few pieces of silver. While the second is to forgo some tax revenue in order to save thousands of lives that would have been destroyed by smoking cigarettes. My mother and grandmother were both smokers, and they both paid the price of their addiction. My grandmother died of cancer relating to smoking, and my mother suffered a massive heart attack which was caused due to smoking cigarettes. The products I sell are designed to make it so that grandchildren don't lose their grandparents and children don't see their parents wither away due to a preventable disease of addiction. If I thought for a second that my products were tobacco products, I would shut my doors immediately. My business gets people off cigarettes, off tobacco, and off nicotine. We are the cure not the disease. And as such, deserve to be treated like other products such as the nicotine patch and nicotine gum. I strongly urge a do not pass on this bill, and am happy to stand for any questions.

Here are a few links to some vaping studies and websites that show some benefits of vaping over smoking:

<https://vaping.org/about-us/what-is-vaping/>

<https://www.greenmarketreport.com/top-10-benefits-of-vaping-over-smoking/>

<https://www.theguardian.com/society/2018/dec/28/vaping-is-95-safer-than-smoking-claims-public-health-england>

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