

# Testimony of Altria Client Services LLC on SB355

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**Bill Number:** SB355

**Position:** Proponent

Chairman Thompson and Members of the Committee:

Thank you for the opportunity to appear before you today. My name is David Sylvia, and I serve as Senior Director of Public Policy & Stakeholder Engagement for Altria Client Services. I am here today in support of SB355, legislation that will strengthen Kansas' tobacco enforcement system by requiring e-vapor manufacturers and wholesalers to obtain a state license before doing business in the state. This proposal will help ensure that only licensed manufacturers and wholesalers do business in Kansas, and help in addressing the significant problem of illicit, Chinese made e-vapor products. SB355 is an important first step to putting in place rules to help combat the illicit e-vapor marketplace.

## **Overview: The Need for a Stronger Licensing System**

Kansas—like nearly every other state—is confronting a surge of illegal, unregulated e-vapor products, overwhelmingly manufactured in China and shipped into the United States without oversight. These illicit products undermine state law, undercut responsible retailers, make excise tax collection more difficult and contribute to youth access concerns. We don't know what is in these products, the conditions they are made in, or in many cases, how they were sold into the state and whether or not state excise taxes were collected.

The illicit e-vapor marketplace in the United States has grown into a vast, highly organized parallel economy. Today, illegal disposable products represent approximately two-thirds of all U.S. e-vapor unit sales, amounting to billions of devices annually distributed completely outside federal and state regulatory frameworks. This shadow market allows manufacturers to bypass ingredient disclosure, product testing, age-verification rules, manufacturing standards, and excise tax obligations—giving illicit operators a structural advantage over compliant businesses and raising concerns about potential health impacts from these illicit products.

The scale of this unlawful supply chain is fueled largely by Chinese state-controlled manufacturers that rapidly introduce new device formats, packaging designs, and product variants engineered specifically to evade enforcement. These products enter the U.S. through gray-market import channels and flow through a minority of noncompliant retail outlets. Collectively, the illicit e-vapor market is estimated to generate more than \$5 billion per year for China —funding illegal activity, undermining responsible retailers, and creating substantial public health, national security concerns, and help support China’s military and technology activities<sup>1</sup>.

Recent federal enforcement actions confirm the scale of the problem. Federal agencies have seized large quantities of illegal e-vapor products entering the country, and raids have uncovered connections to organized criminal activity, including tunnels and concealed rooms tied to illicit distribution networks<sup>2</sup>.

A major driver of this problem is the absence of licensing at all points in the e-vapor supply chain, especially for manufacturers and wholesalers. Today, many foreign producers—particularly unlicensed manufacturers from China—sell massive volumes of illegal disposable e-vapor products directly to unlicensed intermediaries, who then sell to Kansas retailers. This loophole results in a supply chain that is opaque, unaccountable, and difficult for the state to police. This shadow supply chain also increases the difficulty of ensuring that state excise taxes are collected.

## The Licensed-to-Licensed (L2L) Solution

SB355 adopts a proven licensing model, a simple but powerful approach long used in the cigarette market and increasingly adopted for modern nicotine products. Under this model:

- Every manufacturer/importer and wholesaler/distributor must hold a valid Kansas license. Retailers are already licensed in Kansas.
- Licensees may only buy from and sell to other Kansas-licensed entities — “No License, No Sale.”
- Nominal license fees may be used for enforcement, ensuring the program supports its own oversight.

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<sup>1</sup> ALCS Adult Tobacco Consumer Tracker, <https://sciences.altria.com/en/science-and-data/survey-data/adult-tobacco-consumer-tracker>; ALCS CMII estimates for Calendar Year 2024 theoretical disposable e-vapor volumes and manufacturer’s list price based on estimated trade margins. See also Matthew Perrone, [Elf Bar and other e-cigarette makers dodged US customs and taxes after China’s ban on vaping flavors](#), Associated Press (12/19/23); McLure, Chan, Zou, and Giesen, [The Examination, “How China Became Addicted to Its Tobacco Monopoly,”](#) Sep. 13, 2023, <https://www.theexamination.org/articles/how-china-became-addicted-to-its-tobacco-monopoly>; Dylan Butts, CNBC, “U.S. rolls out new chip-related export controls,” Sep. 6, 2024, <https://www.cnbc.com/2024/09/06/us-china-quantum-chip-related-export-controls.html>

<sup>2</sup> United States Drug Enforcement Agency, [Operation Vape Trails Cracks Down on Illegal Substances in Vape Shops](#), Sep. 22, 2025, <https://www.dea.gov/press-releases/2025/09/22/operation-vape-trail-cracks-down-illegal-substances-vape-shops>

The licensing model allows state agencies to gain full visibility into the supply chain, allowing them to inspect, audit, suspend, or revoke a license if violations occur, while also helping to ensure that the required state excise taxes are properly paid.

This closed, auditable chain of custody makes it far harder for illegal products to enter Kansas and avoid state excise taxes, while making it far easier for regulators to identify and stop bad actors. In doing so, Kansas residents can have more confidence that e-vapor manufacturers, wholesales, and retailers are known to the state, can be inspected by the state, and that proper excise taxes are being collected.

## **Why This Matters for Kansas**

- 1. Protects youth**

The most egregiously marketed products marketed today (like ones shaped like cartoon characters of purses) are often purchased from unlicensed entities. A strong licensing regime helps keep these products out of Kansas communities.

- 2. Supports Kansas retailers who follow the law**

Responsible retailers play by the rules. Illegal sellers—who ignore federal law, Kansas law, or both—should not be permitted to undercut lawful businesses with cheaper, illicit products while avoiding the payment of state excise taxes.

- 3. Strengthens enforcement without burdening retailers**

Retailers in Kansas are already licensed. This bill simply extends licensing upstream to manufacturers and wholesalers — the points in the supply chain where illicit products originate.

- 4. Aligns Kansas with nationally emerging standards**

As federal authorities increase enforcement, states adopting a full licensing system are better positioned to cooperate with federal agencies and protect their markets from illicit activity.

## **Conclusion**

The challenges Kansas faces today stem from an unregulated and porous e-vapor supply chain. SB355 addresses these vulnerabilities directly by ensuring that anyone who manufactures or supplies e-vapor products into Kansas is known to the state, accountable to the state, and subject to meaningful enforcement.

Altria supports a well-regulated, responsible marketplace for tobacco and nicotine products. We believe this legislation is an important and necessary first step to protect Kansas consumers, Kansas retailers, and the integrity of the state's enforcement and excise tax collection system. SB355 is an important foundational step that will help address the importation of illicit e-vapor products. Additional legislative measures and safeguards are possible once a fully licensed marketplace is established.

Thank you for your time and consideration. I would be happy to answer any questions.