

STAND. COM. REP. NO. 3346

Honolulu, Hawaii

MAR 22 2024

RE: H.B. No. 2504
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committees on Health and Human Services and Higher Education, to which was referred H.B. No. 2504, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO CIGARETTE TAXES,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish a cigarette floor inventory tax on the stock inventory of cigarettes held by licensees before any increase in cigarette and tobacco tax laws is assessed and levied; and
- (2) Amend the cigarette tax rate and specify the disposition of revenues collected at the amended rate to the Hawaii Cancer Research Special Fund, Trauma System Special Fund, Community Health Centers Special Fund, and Emergency Medical Services Special Fund.

Your Committees received testimony in support of this measure from the Department of Health; American Lung Association in Hawaii; University of Hawai'i Cancer Center; Hawaii Substance Abuse Coalition; Hawai'i Pacific Health; American Cancer Society Cancer Action Network Inc.; Hawai'i Public Health Institute; Hawai'i Primary Care Association; American Heart Association, Inc.; University of Hawaii Professional Assembly; and two individuals.



Your Committees received testimony in opposition to this measure from the Hawaii Smokers Alliance; Cigar Association of America, Inc.; and three individuals.

Your Committees received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, and Tax Foundation.

Your Committees find that tobacco use is the leading cause of preventable cancer and other health problems, and that raising taxes on tobacco products has been proven to decrease tobacco consumption. Your Committees further find that funding for the University of Hawaii Cancer Center and their research, treatment, and educational initiatives are critical in addressing the pressing health needs of our community in combating cancer. This measure increases the tax on tobacco products and allocates the revenue to various special funds, including the Hawaii Cancer Research Special Fund, to be used for cancer research to reduce the prevalence of smoking and smoking-related illnesses. Moneys in the fund will also be used to support the work of the University of Hawaii Cancer Center to conduct groundbreaking research, expand access to life-saving treatments, and bolster community outreach and education efforts.

Your Committees have amended this measure by:

- (1) Deleting language that would have established a cigarette floor inventory tax to on the stock inventory of cigarettes held by licensees;
- (2) Inserting language that expands the cigarette tax levied upon a wholesaler or dealer under section 245-3, Hawaii Revised Statutes, to include electronic smoking devices and e-liquids sold, used, or possessed on and after July 1, 2024;
- (3) Inserting language that disposes 1.0 cents of the moneys collected under the tax imposed on cigarettes, electronic smoking devices, and e-liquid sold, used, or possessed by a wholesaler or dealer after June 30, 2024, to the credit of the Tobacco Enforcement Special Fund established pursuant to section 28-15, Hawaii Revised



Statutes; provided that the disposition shall not exceed \$500,00 in a fiscal year;

- (4) Inserting language that amends section 304A-2168, Hawaii Revised Statutes, that governs the Hawaii Cancer Research Special Fund to:
 - (A) Repeal the provision that allows moneys in the special fund to be used for the Cancer Research Center of Hawaii's research expenses;
 - (B) Allow philanthropic donations received in conjunction with programs of the Cancer Research Center of Hawaii to be deposited into the special fund;
 - (C) Require the University of Hawaii's semi-annual report to the Legislature on the moneys in the special fund to explain in detail, all income, in addition to all expenditures, from the special fund;
 - (D) Prohibit the Cancer Research Center of Hawaii's Early Clinical Trial Program from receiving any moneys from the special fund; and
 - (E) Require annual reporting of the financial status of the Early Clinical Trial Program to the Legislature beginning January 1, 2025; and
- (5) Inserting an effective date of December 31, 2050, to encourage further discussion.

As affirmed by the records of votes of the members of your Committees on Health and Human Services and Higher Education that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2504, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2504, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committees on Health and Human
Services and Higher Education,



DONNA MERCADO KIM, Chair



JOY A. SAN BUENAVENTURA, Chair



