

Honolulu, Hawaii

FEB 15 2013

RE: S.B. No. 492
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Health, to which was referred S.B. No. 492
entitled:

"A BILL FOR AN ACT RELATING TO TOBACCO PRODUCTS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Impose an excise tax equal to \$3.20 per net ounce of tobacco of each article or item of tobacco products, other than large cigars; and
- (2) Require the additional monies collected under the excise tax to be deposited to the credit of the Hawaii cancer research special fund.

Your Committee received testimony in support of this measure from the Cancer Action Network and nine individuals. Your Committee received testimony in opposition to this measure from the Cigar Association of America, Inc., and three individuals. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that increases in cigarette taxes induce smokers to quit or find cheaper means to continue using tobacco. Taxes on cigarettes are intended to encourage smokers to quit which means lower costs in tobacco-related medical expenses.



Your Committee believes that this measure as written may not address the growing number of roll-your-own tobacco shops, which advertise the sale of cigarettes at lower prices than for traditional cigarettes. These roll-you-own cigarette shops effectively circumvent the cigarette tax by selling loose tobacco, which is taxed at a lower rate, then allowing customers to make their own cigarettes.

Your Committee has amended this measure by:

- (1) Deleting the provision imposing an excise tax equal to \$3.20 per net ounce of tobacco;
- (2) Inserting language to impose an excise tax equal to one hundred two percent of the wholesale price of any tobacco product, other than large cigars, sold by a wholesaler or dealer on and after January 1, 2014, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer and allocating the entire amount received to the Hawaii cancer research special fund; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 492, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 492, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Health;

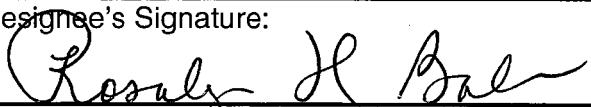


JOSH GREEN, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Health
HTH

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 492	HTH, WAM	02/11/2013		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GREEN, Josh (C)	✓			
BAKER, Rosalyn H. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
NISHIHARA, Clarence K.	✓			
SLOM, Sam			✓	
TOTAL	4	-	1	-
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes