

Honolulu, Hawaii

MAR 25 2015

RE: H.B. No. 145
H.D. 1
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 145, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a refundable income tax credit for qualified cigar producers.

Your Committee received testimony in support of this measure from two individuals. Your Committee received testimony in opposition to this measure from the Department of Health, Coalition for a Tobacco-Free Hawai'i, American Cancer Society Action Network, American Heart Association, and Cigar Association of America, Inc. Your Committee received comments on this measure from the Tax Foundation of Hawaii, Hawaii Cigar Association, Hawaii Farm Bureau, Kauai Cigar Company, and two individuals.

Prior to the hearing on this measure, your Committee posted and made available for public review a proposed S.D. 1, which amends this measure by deleting its contents and replacing it with language that:

- (1) Expands the definition of "tobacco products" to include any product containing nicotine, but not containing tobacco;



- (2) Imposes an excise tax equal to eighty percent of the wholesale price of any tobacco product, other than large cigars, sold by a wholesaler or dealer on and after January 1, 2016, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;
- (3) Requires the monies collected under the excise tax to be deposited to the credit of the Hawaii cancer research special fund; and
- (4) Contains an effective date of July 1, 2053.

Your Committee received testimony in support of the proposed S.D. 1 from the Department of Health, University of Hawai'i Cancer Center, Coalition for a Tobacco-Free Hawai'i, American Cancer Society Action Network, American Lung Association of the Mountain Pacific, and numerous individuals. Your Committee received testimony in opposition to the proposed S.D. 1 from the League of Women Voters, PC Gamerz, VOLCANO Fine Electronic Cigarettes, Kauai Cigar Company, and a substantial number of individuals. Your Committee received comments on the proposed S.D. 1 from the Department of Taxation, Tax Foundation of Hawaii, and five individuals.

Your Committee also received testimony from individuals who did not indicate whether their testimony was regarding this measure or the proposed S.D. 1. This unspecified testimony includes testimony in support from one individual, testimony in opposition from numerous individuals, and comments from one individual.

Your Committee finds that under existing law, the tax on other tobacco products is lower than the tax on cigarettes, despite these products being similarly addictive and dangerous. Other tobacco products present significant health risks, which can lead to cancer, heart disease, respiratory illness, and other serious diseases. Other tobacco products may also serve as gateway products that can lead to habitual tobacco use, including smoking and long term addition to nicotine.

Your Committee further finds that according to the federal Centers for Disease Control and Prevention, increasing the price of tobacco products is the most effective way to prevent initiation among nonsmokers and reduce consumption. Accordingly,



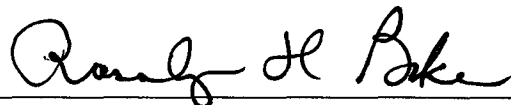
the proposed S.D. 1 increases the excise tax to eighty percent of the wholesale price of any tobacco product, other than large cigars. This increased amount in the excise tax will provide parity with the current tax on cigarettes.

Your Committee has amended this measure by adopting the proposed S.D. 1 and further amending the proposed S.D. 1 by:

- (1) Amending the definition of "tobacco products" for consistency with the definition approved by the Department of the Attorney General; and
- (2) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 145, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 145, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,

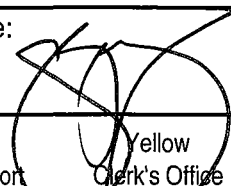


ROSALYN H. BAKER, Chair



The Senate
 Twenty-Eighth Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB145 HD1	CPN, WAM	3/23/15		
<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
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)				✓
KAHELE, Gilbert	✓			
KIDANI, Michelle N.	✓			
NISHIHARA, Clarence K.				✓
WAKAI, Glenn	✓			
SLOM, Sam				✓
TOTAL	4	∅	∅	3
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; margin-top: 10px;">  </div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes