

STAND. COM. REP. NO.

1221

Honolulu, Hawaii

March 27, 2015

RE: S.B. No. 1032
S.D. 2
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 1032, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO CHAPTER 245, HAWAII REVISED STATUTES,"

begs leave to report as follows:

The purpose of this measure is to strengthen the cigarette tax and tobacco tax law by:

- (1) Expanding the definition of "tobacco products" to include products that do not contain tobacco, but contain nicotine;
- (2) Increasing the license fees of cigarette and tobacco product wholesalers and dealers; and
- (3) Increasing the retail tobacco permit fees of retailers.

The Department of Health; American Heart Association; American Cancer Society Cancer Action Network; and the Coalition for a Tobacco-Free Hawaii supported this measure. The Department of Taxation commented on this measure. The Hawaii Food Industry Association; Hawaii Cigar Association; Kauai Cigar Company; PC Gamerz; and numerous individuals opposed this measure.

SB1032 HD1 HSCR CPC HMS 2015-2928-1



Your Committee has amended this measure by changing the effective date to July 1, 2015.

Your Committee finds that the current license fee for tobacco wholesalers and retailers is \$2.50 and has remained unchanged since 1995. Of the 40 states that have fees, 26 states charge \$100 or more per year, 14 states charge \$200 or more per year, and nine states charge between \$500 and \$1500 per year. Hawaii is only one of two states that charge a wholesaler less than a retailer. Your Committee notes that tobacco licensing is an effective public health tool for controlling the negative health consequences of tobacco use by ensuring that wholesalers and retailers comply with responsible sales practices.

Your Committee notes that the amount of the fee, while not onerous, should be balanced between the burden on the small businesses and the funding of health programs to address tobacco related issues. However, because the State can expect revenue from these fees to diminish over time, the State should use these kinds of fees as a short term funding solution, not a long term means of financing entities.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1032, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1032, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

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



ANGUS L.K. MCKELVEY, Chair



