

Honolulu, Hawaii

MAR 06 2015RE: S.B. No. 401
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 Ways and Means, to which was referred S.B. No. 401 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the excise tax rate on the sale of large cigars.

More specifically, this measure amends the excise tax rate on sales of large cigars that occur on or after July 1, 2015, to the lesser of:

- (1) Fifty cents for each large cigar; or
- (2) Fifty percent of the wholesale price of each large cigar.

Your Committee received testimony in support of this measure from the Cigar Association of America, Inc., Cigar Rights of America, Hawaii Cigar Association, Hawaii Farm Bureau, Hawaii Food Industry Association, Kauai Cigar Company, and seventeen individuals. Your Committee received a petition in support of this measure with the signatures of four hundred fifty individuals. Your Committee received testimony in opposition to this measure from the Department of Health, American Cancer Society, American Heart Association, American Lung Association in Hawaii, Coalition for a Tobacco-Free Hawaii, and twenty



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

This measure adjusts the excise tax on large cigars by amending paragraph (13) of section 245-3(a), Hawaii Revised Statutes, which sets the current excise tax rate on large cigars. Your Committee notes that by amending the paragraph that sets the existing tax rate, rather than setting out the amended tax rate in a new paragraph, this measure may retroactively repeal the excise tax on large cigars sold, used, or possessed prior to July 1, 2015. Your Committee finds that such a retroactive repeal is not the intent of this measure.

Accordingly, your Committee has amended this measure by:

- (1) Setting out the amended excise tax rate as a new paragraph of section 245-3(a), Hawaii Revised Statutes;
- (2) Applying the amended excise tax rate to sales of large cigars that occur on or after December 31, 2015; and
- (3) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 401, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 401, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



JILL N. TOKUDA, Chair



The Senate
 Twenty-Eighth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB401	Committee Referral: WAM	Date: 3/3/15
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The Committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	✓			
KOUCHI, Ronald D. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.		✓		
ENGLISH, J. Kalani	✓			
GALUTERIA, Brickwood	✓			
HARIMOTO, Breene				✓
INOUYE, Lorraine R.			✓	
RIVIERE, Gil		✓		
RUDERMAN, Russell E.		✓		
SLOM, Sam	✓			
TOTAL	6	3	1	1

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:


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*Only one measure per Record of Votes