

STAND. COM. REP. NO.

2652

Honolulu, Hawaii

MAR 02 2018

RE: S.B. No. 2843
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2843 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 tax rate on large cigars.

More specifically, the measure amends the current tax rate of fifty percent of the wholesale price of a large cigar to the lesser of fifty cents per cigar, or fifty percent of the cigar's wholesale price, on and after July 1, 2018.

Your Committee received testimony in support of this measure from the Cigar Association of America, Cigar Rights of America, Hawaii Cigar Association, Kauai Cigar Company, Mokuleia Cigar Company, and ten individuals.

Your Committee received testimony in opposition to this measure from the Department of Health, American Cancer Society Cancer Action Network, American Heart Association, Hawaii Public Health Association, Hawaii Public Health Institute, Kauai Community Health Improvement Initiative, Retail Merchants of Hawaii, and seventy-four individuals.



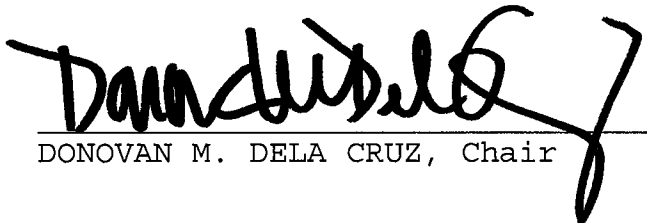
Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that by capping the tax rate on large cigars, tobacco farmers, small-scale cigar producers, and specialty cigar retailers in the State will be able to compete more effectively with their out-of-state counterparts, given the significantly higher costs of production in, and shipping to, Hawaii. As a result, more consumers in the State will be encouraged to "buy local" rather than from online or mail-order sources, which in turn will support local agriculture, stimulate economic development, and keep potential tax revenues in the State.

Your Committee has amended this measure by changing its effective date to July 1, 2050, to facilitate further discussion on the measure.

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. 2843, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2843, 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,


DONOVAN M. DELA CRUZ, Chair



