

STAND. COM. REP. NO.

141

Honolulu, Hawaii

FEB 10 , 2021

RE: H.B. No. 476
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Health, Human Services, & Homelessness, to which was referred H.B. No. 476 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to make various amendments to the State's cigarette and tobacco tax law to treat e-liquid and e-liquid cartridges like cigarettes and tobacco products, including:

- (1) Imposing an excise tax on the sale of each e-liquid cartridge or unit of open system e-liquid sold, used, or possessed by a wholesaler or dealer;
- (2) Requiring wholesalers and retailers of e-liquid and e-liquid cartridges to obtain licenses and permits to operate;
- (3) Amending definitions; and
- (4) Making other conforming amendments.

Your Committee received testimony in support of this measure from the Hawaii State Teachers Association, AlohaCare, Hawaii Substance Abuse Coalition, Blue Zones Project, Campaign for Tobacco-Free Kids, Coalition for a Tobacco-Free Hawaii, and five

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individuals. Your Committee received testimony in opposition to this measure from the Retail Merchants of Hawaii, VOLCANO Vape Shops, Irie Hawaii, Hawaii Smokers Alliance, and numerous individuals. Your Committee received comments on this measure from the Department of Taxation, Hawaii Primary Care Association, American Heart Association, American Lung Association, American Cancer Association Cancer Action Network, Reason Foundation, and one individual.

Your Committee finds that electronic smoking devices have become the most commonly used tobacco product among youth in the United States and Hawaii. In Hawaii, electronic smoking devices are not taxed like other tobacco products and can often be purchased at lower prices than cigarettes. The State's existing tax laws also do not cover solutions containing nicotine, such as e-liquids, that are designed or sold for use with electronic smoking devices.

Your Committee further finds that increasing the price of tobacco products is the single most effective way to reduce consumption. Achieving tax parity for all tobacco products, as proposed by this measure, will therefore protect against price disparities and serve as an important tool to combat the youth vaping epidemic in Hawaii.

Your Committee has amended this measure by:

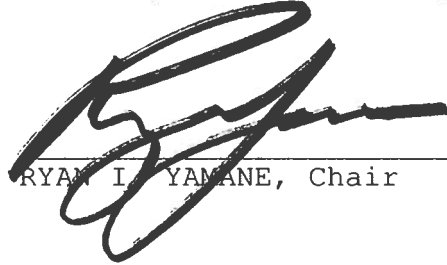
- (1) Imposing a fifty percent tax on any product for which a modified risk tobacco product order has been issued by the Secretary of the United States Department of Health and Human Services pursuant to title 21 United States Code section 387k(g);
- (2) Changing the effective date to July 1, 2060, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.



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As affirmed by the record of votes of the members of your Committee on Health, Human Services, & Homelessness that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 476, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 476, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Health, Human
Services, & Homelessness,



RYAN I. YAMANE, Chair



