

STAND. COM. REP. NO.

675

Honolulu, Hawaii

, 2021

FEB 19

RE: H.B. No. 476  
H.D. 2

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

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 476, H.D. 1, 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 tax and tobacco tax law to treat e-liquid and e-liquid cartridges like cigarettes and tobacco products, including:

- (1) Imposing a fifty percent tax on products with a modified risk tobacco product order issued by the Secretary of the United States Department of Health and Human Services;
- (2) 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;
- (3) Requiring wholesalers and retailers of e-liquid and e-liquid cartridges to obtain licenses and permits to operate;



- (4) Amending definitions; and
- (5) Making other conforming amendments.

Your Committee received testimony in support of this measure from the Department of Health, Hawaii Substance Abuse Coalition, Hawaii State Teachers Association, and AlohaCare. Your Committee received testimony in opposition to this measure from Black Lava Vape; Americans for Tax Reforms; Hawaii Cigar Association; Kauai Cigar Company; Premium Cigar Association; American Vaping Association; Smoke-Free Alternatives Trade Association; Volcano; Cigar Rights of American, Hawai'i; Retail Merchants of Hawaii; Hawaii Smokers Alliance; and numerous individuals. Your Committee received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, Hawaii Primary Care Association, American Heart Association, Coalition for a Tobacco-Free Hawai'i, Campaign for Tobacco-Free Kids, American Cancer Society Cancer Action Network, American Lung Association in Hawaii, and five individuals.

Your Committee finds that electronic smoking devices produce an aerosol by heating a liquid that usually contains nicotine, flavorings, and other chemicals that help make the aerosol. The aerosol is inhaled into the user's lungs and, when exhaled by the user, may be inhaled by bystanders. Your Committee further finds that the federal Centers for Disease Control and Prevention have stated that electronic smoking devices are not safe for youth, young adults, and pregnant adults. However, the use of electronic smoking devices has been increasing exponentially among youth in Hawaii. While the use of electronic smoking devices by youth have risen nationally, use in Hawaii by youths is even higher. Your Committee also finds that the rapid growth of the electronic smoking device industry necessitates further regulation to protect consumers. Your Committee believes that certain measures must be taken to deter the use of electronic smoking devices, especially by the youth.

Your Committee notes that 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 specifying that the taxation of modified risk tobacco products is equal to fifty percent of the wholesale price of every wholesaler for each modified risk tobacco product sold, used, or possessed by a wholesaler.

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 H.B. No. 476, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 476, H.D. 2.

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



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AARON LING JOHANSON, Chair



