

Honolulu, Hawaii  
**February 19**, 2016

RE: H.B. No. 1634

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1634 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

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

Specifically, this measure amends the tax rate on sales of large cigars that occur on or after July 1, 2016, to the lesser of 50 cents for each large cigar or fifty percent of the wholesale price of each large cigar.

ABC Stores; Cigar Association of America, Inc.; Havana Club Honolulu; Hawaii Cigar Association; Hawaii Food Industry Association; Hawaii Smokers Alliance; Kauai Cigar Company; Mokuleia Cigar Company; and seventy-five individuals submitted testimony in support of the measure.

The Department of Health; American Cancer Society Cancer Action Network; American Heart Association; Coalition for a Tobacco-Free Hawaii; and forty-four individuals submitted testimony in opposition of the measure.

The Department of Taxation; Tax Foundation of Hawaii; and forty individuals submitted comments on the measure.



Your Committee has great reservations about moving this measure forward due to public health concerns. Further, although the measure's proponents testified that it would benefit the local cigar industry, your Committee finds that the proposed excise tax cap would apply equally to local and foreign producers. Despite these reservations, your Committee also finds that this measure could have a positive impact on the budget, including as a possible source of funding for cancer research. Should the Committee on Finance decide to hear this measure, your Committee respectfully requests that the Committee on Finance carefully scrutinize the measure with regard to its financial impact.

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. 1634 and recommends that it pass Second Reading and be referred to your Committee on Finance.

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



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ANGUS L.K. MCKELVEY, Chair



HJR 663-16

**Record of Votes of the Committee on Consumer Protection & Commerce**

Bill/Resolution No.: <b>HB 1634</b>	Committee Referral: <b>CPC, FIN</b>	Date: <b>Feb 17, 2016</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)		/		
2. WOODSON, Justin H. (VC)		/		
3. BELATTI, Della Au		/		
4. BROWER, Tom	/			
5. CREAGAN, Richard P.		/		
6. HAR, Sharon E.		/		
7. HASHEM, Mark J.		/		
8. KAWAKAMI, Derek S.K.	/			
9. LEE, Chris		/		
10. NAKASHIMA, Mark M.	/			
11. OSHIRO, Marcus R.			/	
12. SAN BUENAVENTURA, Joy A.		/		
13. TAKAYAMA, Gregg			/	
14. YAMANE, Ryan I.		/		
15. FUKUMOTO CHANG, Beth		/		
16. McDERMOTT, Bob			/	
<b>TOTAL (16)</b>	<b>3</b>	<b>10</b>	<b>3</b>	<b>0</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				