

TAXBILLSERVICE

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SUBJECT: TOBACCO, Rate on pipe tobacco

BILL NUMBER: HB 2120

INTRODUCED BY: Chong, Mizuno, Yamashita and 2 Democrats

BRIEF SUMMARY: Amends HRS section 245-1 to amend the definition of "tobacco products" to include pipe tobacco.

Amends HRS section 245-3 to: (1) add a new paragraph (14) to provide that pipe tobacco sold by the wholesaler or dealer after June 30, 2012 shall be subject to an excise tax equal to the greater of: (a) \$2 for each ounce; or (b) 70% per cent of the wholesale price, whether or not sold at wholesale; and (2) add a new paragraph (15) to provide that pipe tobacco sold after June 30, 2012, by a retailer who purchases pipe tobacco directly from a manufacturer or from outside the state shall be subject to an excise tax of \$2 per ounce.

EFFECTIVE DATE: Tax years beginning after December 31, 2011

STAFF COMMENTS: Currently, pipe tobacco is subject to an excise tax of 70% of the wholesale price of the product. This measure proposes to establish a separate category for pipe tobacco and provide that it shall be subject to an excise tax of \$2 per ounce or 70% of the wholesale price when sold by a wholesaler or dealer or \$2 per ounce if a retailer has purchased the pipe tobacco directly from a manufacturer or from outside the state.

Under the existing law, cigarettes and little cigars are taxed on a per unit basis while other tobacco products, including pipe tobacco, are taxed on a percentage of their wholesale value. While this measure proposes that pipe tobacco would either be taxed on a percentage basis or weight bases, consideration should be given to moving to a per unit/weight approach like the taxing of cigarettes. A review of what other states impose indicates that while some products continue to be taxed on an ad-valorem basis, other tobacco products are taxed on the basis of weight. This would insure that all such tobacco products are taxed in the same manner regardless of their wholesale price. Such is the case with the cigarette tax which is levied on a per unit basis. In making the conversion to so many cents per ounce, lawmakers may want to utilize the current tax collected on the most expensive product and divide that amount by the number of ounces. While this will result in an initial bump in collections as the tax on less costly product will see an increase, it will bring parity to these types of products and stabilize collections as users migrate to less costly brands or products as the cost rises.

Digested 2/1/12

February 2, 2012

House Health Committee

HB 2120 Pipe Tobacco

Strong Opposition

Honorable Chair, Vice-Chair and Members of the House Health Committee,

This bill must not be allowed to proceed. In this day, where economic recovery is foremost in every person's lives, it is inconceivable that such recklessness would even be on the table at the legislature.

Should you choose to enact any increase on Pipe tobacco, you will be directly responsible for causing hundreds of people who are employed because of this particular product and change them from tax paying citizens and businesses, into virtually wards of the state.

This Legislation will cause them to become tax burdens (unwillingly, and through no fault of their own.) The use of unemployment benefits, food stamps and every other benefit entitled to those who find themselves left destitute from this action will rest solely in your hands and in the tax payer's pocketbooks.

Thank you for your time and careful consideration.

Sincerely,

Jolyn M. Tenn

Hawaii Smokers Alliance

808-721-8384

morikawa2 - Grant

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 02, 2012 2:51 PM
To: HLTtestimony
Cc: mz9995@hotmail.com
Subject: Testimony for HB2120 on 2/3/2012 9:00:00 AM

Testimony for HLT 2/3/2012 9:00:00 AM HB2120

Conference room: 329
Testifier position: Oppose
Testifier will be present: No
Submitted by: Micheal Zehner
Organization: Hawaii Smokers Alliance
E-mail: mz9995@hotmail.com
Submitted on: 2/2/2012

Comments:
People that smoke already face out of control taxes. Enough is enough.