



February 1, 2011

Committee on Health
Senator Josh Green, MD, Chair
Senator Clarence K. Nishihara, Vice Chair

Hearing:

2:45 P.M., Wednesday, February 2, 2011
Hawaii State Capitol, Room 229

RE: SB233, Relating to Tobacco Products

Testimony in Strong Support

Chair Green, Vice Chair Nishihara and members of the Committee on Health. My name is George Massengale and I am the Director of Government Relations for the American Cancer Society Hawaii Pacific Inc. Thank you for the opportunity to testify in strong support of SB233, which would impose an excise tax on tobacco products other than cigarettes, little cigars and large cigars that is equivalent to the tax imposed currently on cigarettes.

For over 60 years, the American Cancer Society in Hawaii has been dedicated to eliminating cancer as a major health problem through research, prevention activities, early detection, new and innovative treatments, and advocacy.

The American Cancer Society (ACS) was an early promulgator of the link between smoking and cancer in the landmark epidemiological studies of 1952 and 1959. In 1962, the ACS Board of Directors, having reviewed scientific studies on the relationship between cigarette smoking and lung cancer, publicly declared that "the clinical, epidemiological, experimental, chemical and pathological evidence presented by the many studies reported in recent years indicates beyond reasonable doubt that cigarette smoking is the major cause of the unprecedented increase in lung cancer."

In looking for ways to reduce smoking and tobacco use, ACS concluded that raising the tax on cigarettes and other tobacco products would be an effective way to reduce their use; thus, in turn reducing the incidents of various types of cancers including, lung, pharyngeal, and oral cancer.

In 2009, due to concerns of the legislature in the increase use of smokeless tobacco products, the tax on these products was raised from 40% to 70% of the wholesale price; generating an additional \$500,000 in tax revenues; from \$3.03 million in 2008 to \$3.53 million in 2010. Despite this increase, there are indications that the use of smokeless tobacco products continues to trend upwards.

We would note for the committee that in 2007, the President's Cancer Panel issued its report, *Promoting Healthy Lifestyles*, which advised increasing state tobacco taxes; stating, **"Increases in tobacco excise taxes, which are passed along to consumers in the form of higher tobacco product prices, have proven highly effective in reducing tobacco use by promoting cessation among current users, discouraging relapse among former users, preventing initiation among potential users, and reducing consumption among those who continue to use tobacco. These revenues also provide crucial dollars needed to fund anti-tobacco efforts."**

In moving this measure forward, we ask the committee to also consider the President's Cancer Panel's recommendation to fund anti-tobacco efforts and amend this bill by including a provision that would allocate a certain percentage of the new revenues directly to the Hawaii Tobacco Control Trust Fund which is administered by the Hawaii Community Foundation. This will ensure that community based organization throughout the state would be able to maintain or even increase tobacco prevention and cessation services.

Thank you for the opportunity to provide testimony in support of SB233.

Very truly yours,



George S. Massengale, JD
Director of Government Relations

green1 - Karen

From: Trisha Nakamura [trisha@tobaccofreehawaii.org]
Sent: Tuesday, February 01, 2011 12:34 PM
To: HTHTestimony
Cc: diane@tobaccofreehawaii.org
Subject: Tobacco-Free Testimony on SB 233 for Feb 2, 2011 at 2:45 p.m.
Attachments: CTFH Test on SB 233 for Feb 2.pdf

Dear Committee Clerk:

Please find attached testimony from the Coalition for a Tobacco-Free Hawaii regarding SB 233 for February 2, 2011 at 2:45 p.m.

If you have any questions or if there was an issue with the transmission, please email Diane Lobre, Project Specialist.

For your time and help, thank you.

Best,

Trisha Y. Nakamura

Policy and Advocacy Director

Coalition for a Tobacco-Free Hawai'i

320 Ward Ave., Ste. 212

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COALITION FOR A TOBACCO-FREE HAWAII

February 1, 2011

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**To: Senator Josh Booth Green, M.D., Chair
Senator Clarence K. Nishihara, Vice Chair
Members, Senate Committee on Health**

**Re: Strong Support for SB 233, Relating to Tobacco Products
HTH Cmte; February 2, 2011 at 2:45 p.m.; Rm 229**

Thank you for allowing me to submit testimony in strong support of SB 233. My name is Patricia Fleck, the West Hawaii Community Coordinator for the Coalition for a Tobacco-Free Hawaii. I support SB 233 because it is a win-win for our State.

Our state will see increased tax revenue, in addition to fewer people using tobacco products, leading to preventable disease. Smokeless tobacco use leads to serious health issues including esophageal cancer, gum disease; and it increases the risk for cardiovascular disease.

An increase in the cost on tobacco products will result in fewer people using smokeless tobacco. Youth are more sensitive to prices than adults; therefore we must do as much as possible to prevent youth from using tobacco. Children, especially boys and young men, who use smokeless tobacco are at an increased risk to become future smokers.

As cigarette tax increases rise, smokers will look at quitting or they will find cheaper means to continue using tobacco. We must be sure taxes on all tobacco products are equitable so that those who are addicted to nicotine will quit. More smokers quitting means less costs to our state in tobacco-related medical expenses.


Mahalo for the opportunity to provide testimony in support of an increase in the tax on other tobacco products.

Aloha,

Patricia Fleck



COALITION FOR A
TOBACCO-FREE HAWAII

To: The Honorable Josh Booth Green, M.D., Chair
The Honorable Clarence K. Nishihara, Vice Chair
Members, Senate Committee on Health
From: Trisha Y. Nakamura, Esq. Policy and Advocacy Director 
Date: February 1, 2011
Hrg: HTH Cmte; February 2, 2011 at 2:45 p.m.; Rm 229
Re: **Strong Support for SB 233, Relating to Tobacco Products**

Thank you for the opportunity to comment in support of SB 233 which provides for parity between taxes on cigarettes and most other tobacco products. In addition, we offer some recommendations that we feel will help further carry out the intent of this measure: increased health of Hawaii's people and tax parity between cigarettes and other tobacco products.

The Coalition for a Tobacco Free Hawaii (Coalition) is the only independent organization in Hawaii whose sole mission is to reduce tobacco use through education, policy and advocacy. The Coalition provides leadership for the tobacco control community, develops networks, helps coordinate tobacco control programs and builds community awareness.

Health is Promoted By Increasing the Tax on Tobacco Products Other Than Cigarettes

By increasing the cost of each tobacco product sold, use of smokeless tobacco by adults and young people will decrease. This will result in a decline in the serious health conditions that arise from use of smokeless tobacco including cancer of the esophagus pharynx, larynx, stomach, and pancreas, gum disease, and the risk of cardiovascular disease.

Adolescents and young adults are two to three times more sensitive to tobacco price changes than adults—less youth will begin to start using smokeless tobacco and more will reduce their consumption. Hawaii has seen youth use of smokeless tobacco fluctuate despite our decreasing smoking rates. This is a concern: children and adolescents who use smokeless tobacco, especially if they are male, are at an increased risk to become cigarette smokers.

Parity in Taxes on Cigarettes and Other Tobacco Products Is Imperative

The Coalition supports efforts to set the tax on other tobacco products comparable to the tax on cigarettes. With the increase proposed in SB 233, consumers will not be able to switch from one



COALITION FOR A TOBACCO-FREE HAWAII

form of tobacco to another. This measure will ensure most other tobacco products are not more “price-friendly” than cigarettes. More consumers are more likely to quit.

A Portion of the Revenues Must Be Earmarked for Tobacco Prevention and Treatment

Hawaii residents overwhelmingly agree (91 percent) that it’s important for the state to earmark some of the revenue to fund tobacco prevention and quit smoking programs. When the price of tobacco increases, more seek help to quit. It’s necessary we have community resources including the Quitline, the American Lung Association, and services at community health centers to help tobacco users address their nicotine addiction.

We strongly support this measure and urge you to dedicate a portion of the revenue to programs that help tobacco users quit. We also urge you to maintain existing funding for tobacco prevention and quit smoking programs to meet the demand.

The Coalition Recommends Language to Ensure Tax Parity and Health Benefits in the Future

The Coalition urges the Legislature to consider adding in language that would result in the continued parity between the taxes on tobacco products and cigarettes. When the tax on cigarette increases, the tax on other tobacco products would also increase. In addition, more parity is created when products are sold in larger quantities, rather than in single or small amounts.

Here is the draft language :

Section 7. Chapter 245 of the Hawaii Revised Statutes, section 245-3, is hereby amended by adding new subsection (14) as follows:

(14) An excise tax equal to ninety per cent of the wholesale price of each article or item of tobacco products, other than cigars, and equal to fifty percent of the wholesale price for large cigars sold by the wholesaler or dealer on and after July 1, 2011, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer, except that:

(a) for large cigars there shall be a minimum tax rate equal to the amount of the total tax on a pack of 20 cigarettes established by this chapter per package of five cigars, with a proportionate tax for any package or quantity of cigars consisting of fewer or more than five cigars, and no cigars with a wholesale price of less than \$1.00 per cigar shall be sold in packages of fewer than five;



(b) for any tobacco product other than cigarettes or cigars that is offered in discrete single-use lozenges, pouches, pills, capsules or other single-dose or single-use units, or in packages of such single-use units, there shall be a minimum tax equal to the amount of the total tax per-cigarette established by this chapter per each single-use unit, and all such tobacco products shall be sold in packages containing at least twenty individual single-use units;

(c) for any smokeless tobacco product that consists of loose tobacco or that is otherwise not subject to paragraph (b), there shall be a minimum tax equal to the amount of the total tax on a pack of 20 cigarettes established by this chapter per 1.2 ounces, with a proportionate tax on any weights of fewer or more than 1.2 ounces, based on the net weight as provided in good faith by the manufacturer, and all such tobacco products shall be sold in packages containing at least one ounce;

(d) for roll-your-own tobacco and any other loose tobacco meant for smoking, there shall be a minimum tax equal to the amount of the total tax on a pack of 20 cigarettes established by this chapter per 0.65 ounces with a proportionate tax on any other weights, based on the net weight as provided in good faith by the manufacturer, and all such tobacco products shall be sold in packages containing at least 0.65 ounces; and

(e) for any other tobacco product, there shall be a minimum tax equal to the total tax under this chapter on twenty cigarettes per each package or container that contains any such tobacco product intended or expected for final sale to consumers, with the tax applied to the smallest package or container in any package or container intended or expected for sale to consumers that contains multiple smaller packages or containers.

The Coalition also requests the Legislature to examine any cigarette tax increases alongside this bill as changes to the tobacco tax schemes interplay.

The Coalition requests your consideration of the language proposed and your support of creating parity between other tobacco products and cigarettes. Thank you for the opportunity to provide comments in support of this measure.

green1 - Karen

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 01, 2011 10:36 AM
To: HTHTestimony
Cc: mz9995@hotmail.com
Subject: Testimony for SB233 on 2/2/2011 2:45:00 PM

Testimony for HTH 2/2/2011 2:45:00 PM SB233

Conference room: 229
Testifier position: oppose
Testifier will be present: No
Submitted by: Michael Zehner
Organization: Individual
Address: Honolulu, HI
Phone: 9520275
E-mail: mz9995@hotmail.com
Submitted on: 2/1/2011

Comments:

I oppose these types of regressive tax increases on poor and working people. What is more is that it DOESN'T reduce overall health care costs.

People who smoke on average each save over \$90,000 in lifetime health care costs according to a study for the Netherland's Ministry of Health conducted by the Netherlands' National Institute for Public Health and the Environment.

The study also found that health advocates were often deliberately only looking at part of the total costs to make smoking and obesity look like it was driving up health care costs for political reasons and using guesswork. The author stated that "governments should recognize that successful smoking and obesity prevention programs mean that people will have a higher chance of dying of something more expensive later in life."^[1]

[1]MSNBC.com, http://www.msnbc.msn.com/id/22995659/ns/health-diet_and_nutrition/

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TOBACCO, Tax on other tobacco products

BILL NUMBER: SB 233; HB 273 (Identical)

INTRODUCED BY: SB by Baker, Chun Oakland, Green, and 3 Democrats; HB by Yamane

BRIEF SUMMARY: Amends HRS section 245-3 to provide that the tax on tobacco products other than large cigars shall be \$3.20 instead of 70% of the wholesale price effective July 1, 2011.

EFFECTIVE DATE: July 1, 2011

STAFF COMMENTS: The proposed measure provides that the tax on other tobacco products other than large cigars shall be \$3.20 rather than 70% of the wholesale price. It should be noted that when Act 58, SLH 2009, was approved by the legislature, it changed the way other tobacco products are taxed and increased the rate of the ad valorem tax on other tobacco products other than cigars to 70% of the wholesale value and imposed an ad valorem tax equal to 50% of the wholesale value on cigars that had a "ring gauge" of more than 30 (approximately a half inch circumference). In the latter case, those cigars of less than that ring gauge, known as "little cigars," were thrown into the same rate schedule as cigarettes.

However, this proposal highlights one of the distortions that occurs when product price increases and consumption either decreases or in the case where the tax is based on the cost or value of the product, tax collections will be adversely affected. Until 1993 all tobacco products were taxed at a rate of 40% of the wholesale value of the product plus the 0.5% general excise tax rate and, of course, the 4% general excise tax at retail. When the tax on cigarettes was converted to a per unit basis in 1993, it put all cigarettes, regardless of value, on parity. So inexpensive product was taxed at the same rate as more expensive product even though the difference in cost may have been attributed only to the cost of marketing and advertising the more costly product. As lawmakers increased the tax per pack over the years and the cost of making the product also increased the retail price, smokers had three choices, either pay more for their preferred brand, quit smoking, or trade down to a less costly product. While quitting smoking will definitely spell a loss in tax revenues for the state, trading down to a less costly brand will not.

This is an important point to note with respect to all other tobacco products, lawmakers should consider restructuring the way other tobacco products are taxed to insure stability in the collections from the sales of these products. Instead of continuing to set the tax as a percent of the wholesale value, consideration should be given to moving to a per unit approach like the taxing of cigarettes. While this measure proposes that all other tobacco products, other than large cigars, shall be taxed at \$3.20, the amount of tax imposed on a package of cigarettes as of July 1, 2011, it should be noted that there are no multiples of other tobacco products like cigarettes per pack, as these products are usually sold by the weight.

Under this proposal, a tin of 5 ounces of pipe tobacco would pay the \$3.20 as would a large can of 24 ounces. If, on the other hand, the tax was based on the weight of the product, the larger the package of tobacco products, be it chewing tobacco or pipe tobacco, the more the tax would be. Thus, three ounces of pipe tobacco, no matter what the value of the product, would be taxed like another container of three ounces of pipe tobacco. Similarly, cigars that are fatter and, therefore, weigh more than say, cigarillos, which are thinner, would be taxed according to the overall weight of the product. As a result, when the cost of the product rises, and the behavioral reaction is to trade down to a less costly product sets in, the amount of tax the state receives will be the same, thus stabilizing the collections from this source.

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 1/31/11

green1 - Karen

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 01, 2011 3:49 PM
To: HTHTestimony
Cc: valeriesaiki@gmail.com
Subject: Testimony for SB233 on 2/2/2011 2:45:00 PM
Attachments: SB 233 Saiki testify.doc

Testimony for HTH 2/2/2011 2:45:00 PM SB233

Conference room: 229
Testifier position: support
Testifier will be present: No
Submitted by: Valerie K. Saiki
Organization: Individual
Address: 4883 nonou rd kapaa, hi
Phone: 8083463950
E-mail: valeriesaiki@gmail.com
Submitted on: 2/1/2011

Comments:

February 1, 2011

To: Senator Josh Booth Green, M.D., Chair
Senator Clarence K. Nishihara, Vice Chair
Members, Senate Committee on Health

Re: **Strong Support for SB 233, Relating to Tobacco Products**
HTH Cmte; February 2, 2011 at 2:45 p.m.; Rm 229

Thank you for allowing me to submit testimony in strong support of SB 233. My name is Valerie K. Saiki. I work as a Tobacco Control Specialist on the island of Kauai, which educates youth on the dangers of tobacco use as well as assist youth and young adults quit tobacco use. I support SB 233 because it will reduce youth access to "other tobacco products" as well as exemplify to the public that smokeless tobacco products are just as deadly as cigarettes.

Smokeless tobacco-use also leads to serious health issues including esophageal cancer, gum disease; and increases the risk for cardiovascular disease.

An increase in the cost of other tobacco products will result in less people using smokeless tobacco. We must do as much as we can to prevent youth from using all tobacco products. Children, especially boys and young men, who use smokeless tobacco are at an increased risk to become future smokers.

As cigarette tax increases rise, smokers will look at quitting or they will find cheaper means to continue using tobacco. We must be sure taxes on all tobacco products are equitable so that those who are addicted to nicotine will quit. More smokers quitting and less starting means less costs to our state in tobacco-related medical expenses.

Thank you for the opportunity to provide testimony in support of an increase in the tax on other tobacco products.

Valerie K. Saiki
4884 Nonou Rd.
Kapaa, HI 96746
(808) 346-3950

green1 - Karen

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 01, 2011 3:35 PM
To: HTHTestimony
Cc: cinda@wcchc.com
Subject: Testimony for SB233 on 2/2/2011 2:45:00 PM
Attachments: SB 233 Testimony.doc

Testimony for HTH 2/2/2011 2:45:00 PM SB233

Conference room: 229
Testifier position: support
Testifier will be present: No
Submitted by: Christy Inda
Organization: Individual
Address: 86-260 Farrington Highway Waianae, HI
Phone: 697-3511
E-mail: cinda@wcchc.com
Submitted on: 2/1/2011

Comments:

February 1, 2011

To: Senator Josh Booth Green, M.D., Chair
Senator Clarence K. Nishihara, Vice Chair
Members, Senate Committee on Health

Re: **Strong Support for SB 233, Relating to Tobacco Products**
HTH Cmte; February 2, 2011 at 2:45 p.m.; Rm 229

Thank you for allowing me to submit testimony in strong support of SB 233. My name is Christy Inda. I work for the Waianae Coast Comprehensive Health Center, which provides tobacco cessation services to residents of the Leeward Coast. With 27% of adults in the community who smoke, the Waianae Coast ranks highest in the state for percentage of adults who smoke. I support SB 233 because it is a win-win for our State.

Our state will see more tax revenue and we will see less people using tobacco products, leading to preventable disease. Smokeless tobacco use leads to serious health issues including esophageal cancer, gum disease; and it increases the risk for cardiovascular disease.

An increase in the cost on tobacco products will result in less people using smokeless tobacco. Youth are more sensitive to prices than adults. We must do as much as we can to prevent youth from using tobacco. Children, especially boys and young men, who use smokeless tobacco are at an increased risk to become future smokers.

As cigarette tax increases rise, smokers will look at quitting or they will find cheaper means to continue using tobacco. We must be sure taxes on all tobacco products are equitable so that those who are addicted to nicotine will quit. More smokers quitting means less costs to our state in tobacco-related medical expenses.

Thank you for the opportunity to provide testimony in support of an increase in the tax on other tobacco products.