

L A T E

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

HOUSE COMMITTEE ON HEALTH

SB2422, SD 1, RELATING TO TOBACCO PRODUCTS

**Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Director of Health**

**March 16, 2012
9:30AM, ROOM 329**

1 **Department's Position:** The Department of Health supports this measure to curtail tobacco use. The
2 Department will defer to the Department of Taxation on those matters relating to taxation and revenue
3 generation.

4 **Fiscal Implications:** Potential revenue from the tax to the general fund.

5 **Purpose and Justification:** SB2422, SD 1 proposes to levy a tax on Other Tobacco Products (OTP) that
6 is commensurate to that of the current tax (\$3.20) on a pack of cigarettes.

7 Smoking and tobacco use are Hawaii's and the nation's leading cause of preventable illness and
8 death resulting in over 1,100 resident deaths annually and costing over \$640 million for health care and
9 lost productivity. Tobacco products not FDA approved to help smokers to quit are addictive and
10 dangerous whether smoked, chewed, or dissolved. These products are both a significant risk factor for,
11 and a cause of cancer, heart disease, diabetes, respiratory diseases, and other serious illnesses.

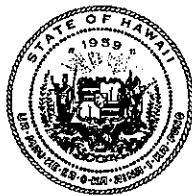
12 Traditionally, excise taxes on OTP have been significantly lower than those imposed on
13 cigarettes. This factor, combined with the tobacco companies coming out with a large variety of non-
14 combustible products increased consumption of OTP's. The proposal to create a tax rate for OTP's that
15 is on par with that of the rate for cigarettes is a reasonable and appropriate action. Increasing the cost of

1 tobacco products has been shown to decrease consumption, particularly significant increases. For every
2 10 percent increase on price, there is a 3 to 4 percent decrease in consumption. For youth, that figure
3 doubles to approximately a 6 to 8 percent decrease. The DOH would like to offer a suggestion that the
4 language of the bill be amended to reflect that the excise tax be tied to whatever the current dollar figure
5 for cigarettes is rather than fixing the number at the present figure of \$3.20.

6 Thank you for the opportunity to testify on this measure.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540
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LATE

To: The Honorable Ryan I. Yamane, Chair
and Members of the House Committee on Health

Date: Friday, March 16, 2012
Time: 9:30 a.m.
Place: Conference Room 329, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2422, S.D. 1, Relating to Tobacco Products

The Department of Taxation (Department) offers the following comments on S.B. 2422, S.D. 1 for the committee's consideration.

S.B. 2422, S.D.1 amends the excise tax on non-cigarette tobacco products other than large cigars under section 245-3, Hawaii Revised Statutes, by specifying that for such products sold after September 30, 2012, the tax shall be 70% of the wholesale price of the article or item sold but no less than \$3.20 per article or item sold. Currently the tax is equal to seventy percent of the wholesale price of the article or item sold.

This measure allows for the tax on non-cigarette tobacco products other than large cigars to be at least equal to the tax on a pack of cigarettes regardless of wholesale price.

Thank you for the opportunity to submit comments.

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Hawaii Director
Lorraine Leslie

Honorary Chair
Michael J. Chun, Ph. D.

Chair:
Douglas Q.L. Yee

Leadership Council
Diane Ako
Mary Browne
Steven Businger, Ph.D.
Reid K. Ikeda, MD
Ikaika Kahoano
Emmit A. Kane
Ron Sanderson, DrPH,
Lisa Soong
Steve Wilson
James Wong

Consultants:
Kenny Choi
Cathy Foy-Mahi
Malcolm T. Koga
Aaron Mahi

National Board
Sherri Bulkeley

Regional Board
Sterling Yee

Lung HelpLine
1-800- LUNG-USA
(586-4872)

Improving Life

One Breath at a Time

Founded in 1904, the
American Lung Association
includes affiliated associations
throughout the U.S.



For March 16, 2012 House Committee on Health at 9:30 a.m. in Room 329

To: Representative Ryan Yamane, Chair
Representative Dee Morikawa, Vice Chair
Members, House Committee on Health

Re: **Strong Support for SB 2422, SD 1:
Relating to Tobacco Products**

L A T E F

I am the Hawaii Director for American Lung Association in Hawaii; our mission is to save lives by improving lung health and preventing lung disease which includes protecting the air we all breathe. Thank you for allowing me to submit testimony in strong support of SB 2422, SD 1.

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. I also ask that you earmark a portion of the tax for tobacco cessation and prevention programs. As we encourage tobacco users to quit, we must provide tobacco treatment for them.

Children, especially boys and young men, who use smokeless tobacco, are at an increased risk to become future smokers.

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

With Highest Regards,

Lorraine Leslie
Hawaii Director



American Heart Association | American Stroke Association.
Learn and Live.
Serving Hawaii

LATE

Testimony for SB 2422, SD1 "Relating To Tobacco"

The American Heart Association supports the intent of SB 2422, SD1, but recommends an amendment to the bill.

A portion of new funds realized from any tobacco tax increase should be directed toward further tobacco prevention and education. Hawaii's current investment remains well below the Centers for Disease Control's recommended spending in tobacco and prevention. The CDC recommends that Hawaii invest \$15.2 million per year on tobacco prevention, education and cessation programs to fully achieve success in reducing tobacco dependence. This year, due to recent cuts to those State-funded programs, Hawaii will fall well below that recommendation.

The goal of any tobacco tax increase should be primarily to achieve a reduction in use of tobacco products, especially by price-sensitive young people. The costs to the state for medical care alone related to tobacco use far outweigh the benefits in taxes collected on tobacco sales.

The AHA also recommends that instead of using a set amount, \$3.20, as the "floor" level for the other tobacco product tax that language linking that "floor" level to the current tax level for cigarette sales in Hawaii be used. That would alleviate the need to amend the other tobacco product tax should the state cigarette tax be increased.

What do nicotine and tobacco smoke do to the body?

Nicotine causes a short-term increase in blood pressure, heart rate and the flow of blood from the heart. It also causes the arteries to narrow. Users of smokeless tobacco are exposed to levels of nicotine that are comparable to cigarette smokers. In addition, smoke from other tobacco products like "little cigars" or roll-your-own tobacco include carbon monoxide, which reduces the amount of oxygen the blood can carry. This, combined with the nicotine effects, creates an imbalance between the demand for oxygen by the cells and the amount of oxygen the blood can supply. Tobacco smoke also increases the risk of developing cardiovascular disease and triggering heart attacks in several ways. First, carbon monoxide damages the inner walls of the arteries, encouraging fatty buildups in them. Over time, this causes the vessels to narrow and harden. Nicotine may also contribute to this process. Smoking also causes several changes in the blood that make clots—and heart attack—more likely. Cigar and pipe smoking increases the risk of abdominal aortic aneurysm by as much as six times compared to never-smokers. Smoking cigars or pipes doubles the risk of fatal stroke compared to never-smokers. Smoking cigars or pipes and cigarettes increases the risk for fatal stroke by six times compared to never-smokers. Pipe smoking has been found to increase coronary heart disease risk by almost as much as cigarette smoking.

It is important to both maintain a balance between the taxes on cigarettes and the tax on "other tobacco" products in order to continue to drive down Hawaii's youth smoking rates. It is just as important to maintain the level of investment in tobacco prevention, education and cessation programs at or near the CDC's minimum recommended amounts. The AHA strongly recommends that a portion of any new tobacco tax revenue be earmarked to support those life-saving programs.

Respectfully submitted,

Donald B. Weisman
Hawaii Government Relations/Mission:Lifeline Director

Serving Hawaii since 1948

For information on the AHA's educational or research programs, contact your nearest AHA office, or visit our web site at www.americanheart.org or e-mail us at hawaii@heart.org

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Kauai:
(Serviced by Oahu office)
Phone: 808-538-7021
Fax: 808-538-3443

**"Building healthier lives,
free of cardiovascular
diseases and stroke."**



To: Representative Ryan Yamane, Chair, Representative Dee Morikawa, Vice Chair
Members of Health Committee

Hrg: Friday, March 16, 2012, House Health Committee @ 9:30, Room 329

Re: **Testimony in STRONG Support of SB 2422, SD1 Relating to Tobacco Products**

By: Valerie Chang, JD, Executive Director
Hawaii COPD Coalition, www.hawaiicopd.org
733 Bishop Street, Suite 1550, Honolulu, HI 96813
(808)699-9839
copd.hawaii@yahoo.com

I thank you for this opportunity in strong support of SB 2422, SD1, regarding increasing taxes on other tobacco products. This topic is very important to our organization, as we help those who suffer the awful ravages of long-term exposure to tobacco, those with emphysema and chronic bronchitis. I support this measure because it is a win-win for our State. Our State will gain tax revenue and fewer people will use tobacco products, decreasing preventable diseases including cancers, gum disease, and cardiovascular conditions.

My name is Valerie Chang. I am Executive Director of the Hawaii COPD Coalition. Our organization provides services and support to Hawaii's people affected by Chronic Obstructive Pulmonary Disease, more commonly known as emphysema and chronic bronchitis. COPD is now the third leading cause of death in the US and second leading cause of disability. Over 30,800 people in Hawaii have already been diagnosed with COPD and it is estimated that at least 30,800 more people may suffer from COPD but remain undiagnosed. Many of these COPD patients were seduced by tobacco when they were very young and unable to quit the addiction for decades, causing irreparable harm. There are over \$55 million in COPD hospital charges in Hawaii each year. Our organization provides free breathing testing, resources, information and support for cessation and those with lung disease. In 2011, we have conducted over 1300 lung function tests (spirometries) in over 40 clinics, including 6 on the Big Island, 3 on Maui, 2 on Kauai, and 3 on Molokai.

One in three of the people we have found in Hawaii with low lung function were non-smokers, which highlights the dangers of second-hand smoke. Research by Dr. Elizabeth Tam of the John A. Burns School of Medicine highlighted that asthmatics are severely affected by second-hand smoke and being around smokers, even more than VOG (volcanic fog) of our volcanoes. There is a huge body of research that was carefully considered by this legislature to support the passage of the smoke-free workplaces law. Nothing has changed to lessen the health effects that people are subjected to when exposed to second-hand smoke, whether the setting is bars, nightclubs or any other venue. Let us not endanger the health of these workers who cannot easily afford to leave their jobs and search for another in this difficult economy.

Tobacco and nicotine products are still the leading cause of preventable disease. COPD is estimated to cause one in four deaths in Canada, our neighbors to the north. Let us reduce our exposure in Hawaii by increasing taxes. Taxes on all tobacco and nicotine products must be equitable so that nicotine addicts will quit rather than switching to a less expensive option. More smokers quitting means reduced costs to our state in tobacco-related medical expenses. I also ask that a portion of the tax be earmarked for tobacco prevention and cessation programs—we must provide programs to help tobacco users quit, to increase their successes.

Thanks for the opportunity to testify about this issue that is so vital to the health of Hawaii and our nation. This issue is very important to our state and our Hawaii COPD Coalition is very glad that this committee has taken a leadership role in addressing this important matter. Please vote in favor of SB2422, SD1. Thank you.

hawaiiCigar **L A T E** ASSOCIATION

March 15, 2012

Dear Hawai'i Legislators

You might not be aware that Hawai'i's tobacco tax laws are putting local businesses that produce and market high-quality premium cigars at a competitive disadvantage. This is no small sector of Hawai'i's economy; it includes small farms, mom-and-pop cigar shops and major Island retailers like Foodland, ABC Stores and Martin & MacArthur.

Under the proposed SB2422 you are seeking a 70% tax on small cigars, and this is simply unfair!

The existing percentage tax on large cigars, and your proposed 70% tax on small cigars is disproportionate and puts at a disadvantage the state's only commercial tobacco grower: a Kaua'i farm that produces superior, handmade large, and small cigars. Because the farm offers its workers higher-than-minimum wages and provides benefits, production costs are higher, thus the burden of a straight percentage tax is greater. These costs must be passed on to the retailer in the form of higher wholesale prices driving the price even higher. The current percent tax makes it difficult for local business to compete with Third-World producers and Hawai'i wholesalers importing cheaper, machine-made large cigars containing the same amount of tobacco, and which pay a fraction of what local handmade premium large cigar sellers must.

The situation is made worse by poor enforcement by the Department of Revenue. It is also common knowledge that few if any Hawai'i consumers file M19 usage taxes for cigars shipped into the state from unlicensed retailers outside Hawai'i.

On behalf of those that produce premium, handmade cigars in Hawai'i and the ninety-six stores that sell them, we urge you this legislative session to amend SB2422 and establish a tax cap or a flat rate tax on both small and large cigars. This change would lighten the unfair and unnecessary tax burden, raise revenue for the state and level the playing field for small local businesses.

Mahalo nui loa for your consideration,



Les Drent
president, Hawaii Cigar Association

For More Information on the Hawaii Cigar Association please visit

hawaiicigarassociation.org

hawaiiCigar

ASSOCIATION

Sister States with High Tobacco Tax Rates, but with a Tax Cap on Cigars

OREGON LAW- TOBACCO TAXES (CIGARS)

323.505 Tax imposed on distribution; rate. (1) A tax is hereby imposed upon the distribution of all tobacco products in this state. The tax imposed by this section is intended to be a direct tax on the consumer, for which payment upon distribution is required to achieve convenience and facility in the collection and administration of the tax. The tax shall be imposed on a distributor at the time the distributor distributes tobacco products.

(2) The tax imposed under this section shall be imposed at the rate of:

(a) **Sixty-five percent** of the wholesale sales price of cigars, **but not to exceed 50 cents per cigar;**

(b) One dollar and seventy-eight cents per ounce based on the net weight determined by the manufacturer, in the case of moist snuff, except that the minimum tax under this paragraph is \$2.14 per retail container; or

(c) Sixty-five percent of the wholesale sales price of all tobacco products that are not cigars or moist snuff.

WASHINGTON LAW- TOBACCO TAXES (CIGARS)

RCW 82.26.020

Tax imposed — Deposited into the general fund.

(1) There is levied and collected a tax upon the sale, handling, or distribution of all tobacco products in this state at the following rate:

(a) For cigars except little cigars, **ninety-five percent** of the taxable sales price of cigars, **not to exceed sixty-five cents per cigar;**

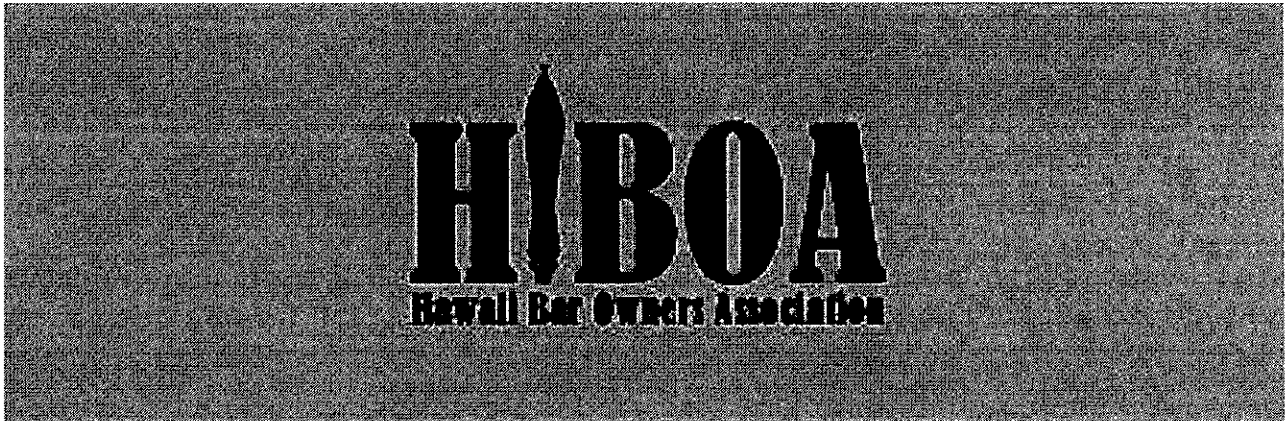
(b) For all tobacco products except those covered under separate provisions of this subsection, ninety-five percent of the taxable sales price;

(c) For moist snuff, as established in this subsection (1)(c) and computed on the net weight listed by the manufacturer:

(d) For little cigars, an amount per cigar equal to the cigarette tax under chapter 82.24 RCW.

For More Information on the Hawaii Cigar Association please visit

hawaiicigarassociation.org



Testimony in opposition to SB 2442 SD1

3/15/12

From Bill Comerford, Spokesman for the Hawaii Bar Owners Association

Honorable Chairman Yamane and Vice Chair Morikawa,

and the members of Committee on Health

Representatives

I fail to understand the process of annually raising the taxes on cigarettes and tobacco products. I am a non-smoker, though I operate businesses that sell these products. Is it government's intent to stop smokers from smoking or to raise funds for government's benefit? Please tell me what is the purpose? If it is to stop people from smoking why not make it illegal. Yet it is legal and thus to continue to raise these taxes is either punishment or government greed. I wish government would not be so hypocritical in these actions.

Annually we hear the same statistics quoted over and over again from these Anti-smoking groups where the numbers are the same about costs and the number of deaths. There appears to be no real variation in their numbers so I must ask, are they just parroting the same thing over and over again to gain advantage without true facts. Are they winning this battle against tobacco? If they are the source of these facts, by repetition they become the authority on costs. Yet these same groups do not want to make it illegal and thus end it altogether because they are always holding out for a piece of the tax take on these tobacco products. As described in another hearing this year they are vampires. Keeping this alive while they continue to draw from it.

Nationally it was just released that youth in America are smoking at an increased rate despite all the good intent, taxation and efforts of these advocacy groups. Their efforts have been in vain to end smoking but they have certainly kept their non-profits alive and their jobs and purpose since it is not to win the battle against tobacco but to keep themselves funded through government taxation.

Enough is Enough! Stop raising these taxes annually.

Representatives I ask you to defer this action by opposing SB 2442 SD1.

Thank you,

A handwritten signature in black ink that reads "Bill Comerford". The signature is written in a cursive style with a large, looping initial "B".

Bill Comerford

Spokesman for the Hawaii Bar Owners Association

10 Marin Lane

Honolulu, HI 96817

morikawa2 - Grant

From: kawikc@aol.com
Sent: Thursday, March 15, 2012 9:06 PM
To: HLTtestimony
Subject: Kawika Crowley of The Hawaii Bar Owners Assoc...opposing

L A T E

Good morning lawmakers...thank you for hearing my testimony.

Now, I realize that this bill is another Senate Sneeker that passed through to the house under the radar so to speak, and I realize that many of you good folks in the House have not been indulging in the Kool Aide juice of our opposition as so many of the senators have. And we are indeed grateful that many of you fair minded house members have been respectful of our positions in the support of small business, private property rights, and fair and just tobacco taxes.... but please, this is going way too far. This bill needs to be flushed down the toilet.

Last month a senator approached me and for-warned me as per the bills relating to tobacco this year...he said, "kawika, some of the bills will be kind of "out there", and may be even unconstitutional"...my response to him was, "then why even bother introducing bills that are kind of "out there" or even unconstitutional??!!" Why waste tax payer monies to pay for such stupid and unjust bills! This bill is unjust and bordering on unconstitutional. We 60 million strong tobacco lovers across America have been taking it from the back for decades. No other single product is taxed to such an extent...nothing comes even close...to the unfathomable tune of over \$35 BILLION dollars a year. And what has it got us? Empty pockets from excessive taxes and businesses by the thousands closing down because of smoking bans, BUT lawmakers now have a big ol' pot of monies to play with. Our tobacco taxes have built, highways, bridges, medical facilities, and we help to fund hundreds of governmental agencies and programs across the nation. When is the robbery of 1/5 of the population going to stop?

When this president took office, the very first bill he signed into law was the largest tobacco tax increase in history..for some tobacco, the increase was close to 200%. How can lawmakers go to sleep with good conscience after supporting such burglaries. I have often stated, "Lawmakers pass unjust laws because they do not fear a particular voting bloc"...my friends, we and dozens of other campaigns across the nation have been working hard for the last ten years to change that dynamic...our first test will be this November.

In closing, may i quickly remind each of you, especially those sitting behind me drunk on their Kool Aide,.... since the 1950's, smoking rates have nearly dropped by half...so you would think, under the Kool Aide mantra, that cancer has done the same...no, my friends, Cancer, since then has nearly tripled today...hmmm, something else is killing us...like maybe plastics, or pesticides, or even tobacco taxes and smoking bans.

This bucket represents the astronomical health care costs in America every year...2.4 TRILLION dollars. This golf ball represents just under 5% of that amount, \$135 Billion...it is health care costs representing tobacco related illness...so you ask, WHAT'S THE REST!....over ONE POINT FOUR TRILLION DOLLARS ATTRIBUTED TO ILLNESS DUE TO LACK OF EXERCISE, OBESITY, HEART PROBLEMS, DIABETES, ALL CAUSED BY BAD DIETS....close to 60% of all health care costs. YOU ARE TAXING THE WRONG DEMON.

Another lawmaker approached me this last tuesday, thanking me for the stats i just presented to you...and now she has embarked on a crusade against diabetes. We sincerely appreciate when you lawmakers realize that the percentages and stats we bring forth to you are indeed truthful and honest, AND NOT DECEITFULLY COOKED UP...you will not hear such stats from the Kool Aiders behind me, for they are on an agenda, FUNDED BY THE RICHEST "NON PROFIT" ON EARTH, AS WELL AS THE MOST CORRUPT...google it. . We have no agenda. We are rather on a national mission...a mission for fairness and justice. Please flush this bill.

Mahalo,

Kawika Crowley
The Hawaii Bar Owners Assoc.
HawaiiSmokersAlliance.net
TheSmokeVote.com
Hawaii78.com
381 9031

February 2, 2012

LATE

House Health Committee

SB2422

Tobacco Taxation Increase

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, March 15, 2012 4:23 PM
To: HLTtestimony
Cc: cigars808@earthlink.net
Subject: Testimony for SB2422 on 3/16/2012 9:30:00 AM

L A T E

Testimony for HLT 3/16/2012 9:30:00 AM SB2422

Conference room: 329
Testifier position: Oppose
Testifier will be present: No
Submitted by: Joe Hilton
Organization: Cigar-Cigar, Etc.
E-mail: cigars808@earthlink.net
Submitted on: 3/15/2012

Comments:

I do not support this legislation and I feel it would have an adverse effect it would on Hawaii's small businesses.

morikawa2 - Grant

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 15, 2012 4:27 PM
To: HLTtestimony
Cc: davidmichaelnewstead@gmail.com
Subject: Testimony for SB2422 on 3/16/2012 9:30:00 AM

LATE

Testimony for HLT 3/16/2012 9:30:00 AM SB2422

Conference room: 329
Testifier position: Oppose
Testifier will be present: No
Submitted by: David Newstead
Organization: Individual
E-mail: davidmichaelnewstead@gmail.com
Submitted on: 3/15/2012

Comments:

morikawa2 - Grant

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 16, 2012 8:52 AM
To: HLTtestimony
Cc: chevyriderhhh@gmail.com
Subject: Testimony for SB2422 on 3/16/2012 9:30:00 AM

LATE

Testimony for HLT 3/16/2012 9:30:00 AM SB2422

Conference room: 329
Testifier position: Oppose
Testifier will be present: No
Submitted by: Chris Wells
Organization: Individual
E-mail: chevyriderhhh@gmail.com
Submitted on: 3/16/2012

Comments: