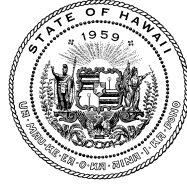


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



LATE

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
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To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Tuesday, February 12, 2013
Time: 9:30 a.m.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 188 S.D.1 Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 188 S.D.1, and provides the following information and comments for your consideration. The Department defers to the Department of Health on the merits of this bill's effect on health, and to the Department of the Attorney General on this bill's effect on tobacco tax enforcement.

S.B. 188 S.D.1 amends the tobacco tax by replacing the term "large cigars" with the term "premium cigars" and giving that term a definition requiring that, in addition to the weight currently required under the definition of "large cigar," the cigar be constructed entirely of tobacco and that its wholesale price be greater than two dollars. The measure further amends the rate at which such cigars are taxed.

The Department notes that as drafted, the measure amends the tax rate retroactively starting September 30, 2009. The Department is opposed to the retroactive imposition of a tax rate because it would allow for amended tax filings and requests for refunds by taxpayers that had previously filed and paid taxes going back to September 30, 2009. The Department recommends that if the rate change provisions of this measure were to be adopted, that the rate change be included in a new paragraph (a)(14).

Thank you for the opportunity to provide comments.

LATE

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LORETTA J. FUDDY, A.C.S.W., M.P.H.
DIRECTOR OF HEALTH

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

In reply, please refer to:
File:

SENATE COMMITTEE ON WAYS AND MEANS

SB0188, SD1, RELATING TO TAXATION

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

**February 12, 2013
9:30AM, Room 211**

1 **Department's Position:** The Department of Health (DOH) opposes the new definition of premium
2 cigar and the limited increase in excise tax for other tobacco products. However DOH appreciates the
3 intent of this measure to curtail tobacco use among adolescents and young adults.

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

5 **Purpose and Justification:** SB0188, SD1 proposes to replace the definition of large cigar with a new
6 definition of premium cigar and alter the tax rate on other tobacco products.

7 Smoking and tobacco use are the leading cause of preventable death and disease in Hawaii,
8 claiming 1,100 lives each year and creating \$336 million in annual health care costs directly attributable
9 to smoking. Cigar smoking is addictive, and cigar smoke, like cigarette smoke, contains toxic and
10 cancer-causing chemicals that are harmful to both smokers and nonsmokers. There is no safe tobacco
11 product, and there is no safe level of exposure to tobacco smoke. Cigar smoking causes oral cavity
12 cancers and cancers of the larynx, esophagus, and lung.

13 There are fewer federal regulations for cigars than there are for cigarettes and other tobacco
14 products. This, as well as their lower taxes, is resulting in increased popularity and usage. While

1 cigarette smoking is declining across the nation, total consumption of cigars has increased dramatically.
2 Between 2006 and 2010, cigar consumption nationally increased by 123%. In Hawaii, current adult
3 cigar used increased from 3.2% in 2006 to 4.3% in 2010.

4 The Department of Health has reservations that redefining cigars would have the potential to
5 create a loophole for little cigars and cigarillos which more closely resemble cigarettes, are often
6 flavored, are more attractive to youth, and cost substantially less than traditional cigarettes. According
7 to Campaign for Tobacco Free Kids, the proposed definition of premium cigar would not preclude
8 manufacturers of non-premium cigars to assert that their products are covered by the exemption from
9 taxation.

10 Because an increase in tobacco tax has been proven to result in decreased consumption by adult
11 and youth smokers, the Department of Health does support an increase in taxing other tobacco products.
12 However, an increase from 70% to 85% still would not provide tax parity. Ideally, other tobacco
13 products should be taxed at the same amount as cigarettes. The DOH would defer to the Department of
14 Taxation for the strategic methodology of determining parity.

15 Thank you for the opportunity to comment.



LATE

American Cancer Society
Cancer Action Network
2370 Nu`uanu Avenue
Honolulu, Hawai`i 96817
808.432.9149
www.acscan.org

Senate Committee on Ways and Means
Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair

Hearing: February 12, 2013; 9:30 a.m.

SB 188, SD1 – RELATING TO TAXATION

Cory Chun, Government Relations Director – Hawaii Pacific
American Cancer Society Cancer Action Network

Thank you for the opportunity to provide testimony in opposition of SB 188, SD1, which repeals the definition of large cigars, establishes a new definition for premium cigars, and increases the tax on other tobacco products except for premium cigars.

The American Cancer Society Cancer Action Network (ACS CAN), the advocacy affiliate of the American Cancer Society, is the nation's leading cancer advocacy organization. ACS CAN works with federal, state, and local government bodies to support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem.

Cigars, regardless of how the tobacco is grown or processed, are not a safer alternative to cigarettes. Cigars contain the same cancer-causing substances as cigarettes and other tobacco products and contain more tobacco due to its size. Because cigars contain more tobacco than cigarettes, and because they often burn for much longer, they give off greater amounts of secondhand smoke. The use of tobacco in any form may also induce nicotine dependence and harm health.

Like all other tobacco products, cigars should be subject to taxation and manufacturing and marketing rules to reduce the deadly and costly burden of tobacco use. Cigars, whether large, small, or premium, should be taxed at rates equivalent to cigarettes. To establish tax parity with the cigarette tax, the committee should consider raising the rate to 102% of the wholesale price.

Thank you for the opportunity to provide testimony on this issue.

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To: The Honorable David Y. Ige, Chair, Committee on Ways and Means
The Honorable Michelle N.Kidani., Vice Chair, Committee on Ways and Means
Members, Senate Committee on Ways and Means
From: Jessica Yamauchi, Executive Director
Date: February 11, 2013
Hrg: Senate Committee on Ways and Means; Tues., February 12, 2013 at 9:30 a.m. in Rm 211
Re: **Opposition to SB 188 S.D. 1, Relating to Taxation**

Thank you for the opportunity to offer testimony in opposition of SB 188 S.D. 1 which repeals the definition of large cigars, adds a new definition of a premium cigar, and changes the tax rate on sales of tobacco products.

The Coalition for a Tobacco Free Hawaii (Coalition) is an independent organization in Hawaii working to reduce tobacco use through education, policy and advocacy. Our organization is a small nonprofit organization of over 100 member organizations and 2,000 advocates that works to create a healthy Hawaii through comprehensive tobacco prevention and control efforts. The Coalition also supports the public through its Smoke-Free Homes Initiative, designed to create smoke-free apartments and condos through voluntary policy adoption.

A tobacco product is still a tobacco product, weather it is organic or hand-constructed or made for adult consumers. Cigar smoking is addictive and cigar smoke, similar to cigarette smoke, contains toxic and cancer-causing chemicals that are harmful. The effects of nicotine and hazards of second-hand smoke remain the same.

Although cigarette smoking is declining across the nation, cigar smoking has been increasing. Between 2006 and 2010, cigar use increased nationally by 123%. According to the Department of Health, adult cigar use in Hawaii has increased from 3.2% in 2006 to 4.3% in 2010.

Additionally, the Coalition is concerned about the potential loophole that could be created by redefining premium cigars. For this reason, the Coalition strongly opposes changing the definition to accommodate premium cigars.

While we appreciate the intent to raise taxes on other tobacco products, besides cigarettes and small cigars, for the purpose of curtailing tobacco use among adolescents and young adults, the recommended level is still not in line with our current state cigarette tax. According to Tobacco-Free Kids, the taxes on other tobacco products needs to be 102% of the wholesale price in order to achieve tax parity.

Thank you for the opportunity to testify on this matter.

A handwritten signature in black ink that reads "Jessica Yamauchi".

Jessica Yamauchi, M.A.
Executive Director

LATE



To: Hawaii State Legislature

From: J. Glynn Loope, Executive Director
Cigar Rights of America

Date: February 11, 2013

Re: Hawaii Premium Cigar Tax Legislation

On behalf of Cigar Rights of America, we would like to commend the efforts of the Hawaii Cigar Association, as it engages in the legislative process for better protection and fairness for the premium cigar industry.

Specifically, we would like to offer our strong support for the proposition of a tax cap for premium cigars, as the Hawaii legislature considers such legislation and revised methodologies for taxing premium cigars.

While we realize that language pertaining to definitions may vary, we earnestly support at least a fifty-cent tax cap, which would well serve the existing premium cigar industry that is present in Hawaii, as well as those that sell their products on the islands. Such a proposition, as demonstrated in states such as Washington, Connecticut, Rhode Island and now Michigan, has proven to be a 'win-win' for the retailer, consumer, as well as state revenue collection efforts.

We certainly hope that the Hawaii legislature will consider this, and related measures that can recognize the difference between premium cigars, and other products. The price point, adult market, and associated characteristics, virtually dictate that they be administered, taxed and treated in a distinctively different manner.

If we can provide any additional information or ever be of assistance, please do not hesitate to call. (540) 968-0402

LATE

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: ruinorruoutsk8@gmail.com
Subject: Submitted testimony for SB188 on Feb 12, 2013 09:30AM
Date: Monday, February 11, 2013 10:43:05 PM

SB188

Submitted on: 2/11/2013

Testimony for WAM on Feb 12, 2013 09:30AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
curt nakagawa	Individual	Support	No

Comments: We need to lower tax on premium cigars so we can afford to keep business here in hawaii instead of giving our money to online out of state cigar shops

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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