

**SB492**

**TESTIMONY**

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TOBACCO, Tax on other tobacco

BILL NUMBER: SB 492; HB 657 (Identical)

INTRODUCED BY: SB by Baker, Chun Oakland, Green and 1 Democrat; HB by Belatti, Kobayashi, Lee, Mizuno and 5 Democrats

BRIEF SUMMARY: Amends HRS section 245-3 to provide that the tax on tobacco other than large cigars shall be \$3.20 per net ounce of tobacco as provided in good faith by the manufacturer of the product effective January 1, 2014.

Amends HRS section 245-15 to provide that on January 1, 2014, and thereafter, \$3.20 per net ounce of tobacco of each article or item of tobacco products, other than large cigars, shall be deposited to the credit of the Hawaii cancer research special fund.

EFFECTIVE DATE: July 1, 2013

STAFF COMMENTS: While it appears that the proposed measure provides that the tax on tobacco shall be \$3.20 per net ounce, the measure should delineate that it is applicable to loose tobacco used in roll-your-own cigarettes and add a definition of "tobacco" to clarify what type of tobacco the proposed rate is applicable to. The proposed measure also provides that the revenues derived from the proposed tax on tobacco shall be deposited into the Hawaii cancer research special fund.

Care should be exercised in attempting to generate additional revenues from specific excise taxes like the tobacco tax as it should be noted that Hawaii's tax rates on these products are among the highest in the nation. Not only would another rate increase reaffirm the perception that Hawaii is a tax hell, but it would probably have an effect on the patterns of consumption of taxed product. Such a hike will, no doubt, have an effect on behavioral responses and affect actual consumption of these products and it will probable drive consumers to find other sources for these products that would not incur the tax. Mail order and Internet sales are sources of product that could escape taxation as well as black market purchases made from the military reservations in Hawaii. So instead of seeing growing collections from higher tax rates, lawmakers may just find that collections will drop due to its effect to discourage consumption and send consumers to other markets. As noted above, the higher one pushes the cost of these products, the greater the possibility of actually seeing a decline in consumption as consumers moderate or eliminate consumption. In fact, as was evidenced in the states of New Jersey and Maryland, lawmakers there counted on an increase in the cigarette tax to help balance their budgets only to learn that collections actually went down below their prior levels. Thus, care should be exercised in targeting these products for specific programs or services.

For this very reason, earmarking a portion of the tax for a specific project or program could actually put the future operations of the center in jeopardy should smoking cessation efforts be successful over time. For example, should cigarette consumption decline, the amount earmarked for the trauma center will

also decline. What will the cancer research center then do if the resources are not sufficient to maintain operations? If it is the intent of the legislature to provide adequate revenue to the Hawaii cancer research fund, a direct appropriation would be preferable.

It should be noted that the hikes in the cigarette tax have begun to have an effect on collections not only locally but also nationally. For the first time in the continual drive to raise the tax on cigarettes collections have fallen below their previous levels. It appears the bell curve has begun its descent because of a decline in consumption or a migration to purchases on the black or grey market - it appears that, as observed, the rise in tax burden has jeopardized this source of revenue. If nothing else, lawmakers need to make up their minds whether or not they see this tax a source of revenue or a means by which deter consumption.

Digested 1/30/13



American Cancer Society  
Cancer Action Network  
2370 Nu`uanu Avenue  
Honolulu, Hawai`i 96817  
808.432.9149  
[www.acscan.org](http://www.acscan.org)

Senate Committee on Health  
Senator Josh Green, Chair  
Senator Roz Baker, Vice Chair

Hearing: February 6, 2013; 2:15 p.m.

### **SB 492 – RELATING TO TOBACCO PRODUCTS**

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

Thank you for the opportunity to provide testimony in support of SB 492, which changes the excise tax on other tobacco products to \$3.20 per net ounce of tobacco.

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.

The purpose of the measure is to address the growing number of roll-your-own (RYO) tobacco shops, which advertise the sale of cigarettes lower than the price for traditional cigarettes. These roll-you-own cigarette shops effectively circumvent the cigarette tax by selling loose tobacco, which is taxed at a lower rate, and then allowing customers to make their own cigarettes. As written, however, this bill does not fix this problem.

All tobacco products should be taxed at the same rate as cigarettes. RYO tobacco is currently taxed at a rate of 70% of the wholesale price which equates to \$2.24 per pack of roll your own cigarettes. The proposed change to the excise tax of \$3.20 per ounce will tax RYO cigarettes at an even lower rate of \$2.08 per pack because a pack of RYO cigarettes only weighs 0.65 oz. per pack. Not to mention this bill does nothing to address the discrepancies in the tax on other tobacco products.

ACS CAN recommends that the committee amend SB 492 to increase the excise tax rate on all tobacco products other than cigarettes from 70% of the wholesale price to 102% of the wholesale price and establishing a minimum base price to capture all inexpensive and emerging tobacco products. Thank you for the opportunity to provide testimony on this important issue.

February 5, 2013

TO: Chair Josh Green and Members of the Senate Committee on Health

FROM: Cigar Association of America, Inc.  
(William Goo)

RE: **SB 492** - Relating to Tobacco Products  
Hearing Date: February 6, 2013  
Time: 2:15 pm

My name is William Goo. I represent the Cigar Association of America, Inc. (CAA) and the Pipe Tobacco Council, Inc. (PTC)

**CAA and PTC oppose SB 492.** The bill's intent is to tax loose or roll-your-own tobacco products at \$3.20 per ounce in an attempt to equalize the tax rate on these products with that of the tax rate on a pack of cigarettes. The only similarity between pipe tobacco, chewing tobacco and cigarettes is that they are all made from tobacco.

Pipe tobacco and chewing tobacco are not consumed in the same manner as cigarettes. Cigarette consumers do not substitute cigarettes for a pipe and aromatic pipe tobacco nor would they substitute cigarette smoking for chewing tobacco.

If it is the legislatures intent to dissuade the temptation to purchase less expensive roll-your-own cigarette tobacco, any tax increase should apply only to that specific product. To tax pipe tobacco and chewing tobacco at \$3.20 per ounce would effectively destroy a very small niche market enjoyed by adult consumers who have responsibly chosen to use it.

Thank you for considering this testimony.

**From:** [Angela Atkins](#)  
**To:** [HTHTestimony](#)  
**Subject:** Support SB492  
**Date:** Monday, February 04, 2013 6:40:22 PM

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To: Senator Josh Green, Chair  
Senator Rosalyn Baker, Vice Chair  
Members, Senate Committee on Health

Re: Support for SB 492: Relating to Tobacco Products  
Hrg: February 6, 2013 at 2:15 pm, Room 229

Thank you for the opportunity to testify in support of SB 492. This bill attempts to raise the taxes on other tobacco products to achieve parity between cigarette taxes and other tobacco products (OTP). Raising the tax on OTPs will result in less people using smokeless tobacco and would eliminate roll your own stores offering cigarettes at half the price of retail stores.

Youth are more sensitive to prices than adults. Unfortunately, the language in this bill would not raise the taxes on loose tobacco used in roll your own stores. I defer to the Campaign for Tobacco-Free Kids and the Coalition for a Tobacco-Free Hawaii for language which would achieve tax parity between cigarettes and OTPs.

As cigarette tax increases, 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.

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

Angela Atkins  
1621 Anapuni Street  
Honolulu, HI 96822

**From:** [Debbie Odo](#)  
**To:** [HTHTestimony](#)  
**Subject:** Support SB492  
**Date:** Tuesday, February 05, 2013 12:23:20 PM

---

To: Senator Josh Green, Chair  
Senator Rosalyn Baker, Vice Chair  
Members, Senate Committee on Health

Re: Support for SB 492: Relating to Tobacco Products  
Hrg: February 6, 2013 at 2:15 pm, Room 229

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

Debbie Odo  
650 Iwilei Road  
Suite208  
Honolulu, HI 96789

**From:** [Deanna Kackley](#)  
**To:** [HTHTestimony](#)  
**Subject:** Support SB492  
**Date:** Tuesday, February 05, 2013 12:36:58 PM

---

To: Senator Josh Green, Chair  
Senator Rosalyn Baker, Vice Chair  
Members, Senate Committee on Health

Re: Support for SB 492: Relating to Tobacco Products  
Hrg: February 6, 2013 at 2:15 pm, Room 229

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

Deanna Kackley  
P.O. Box 437200  
Kamuela, HI 96743



**From:** [Michele Brooks](#)  
**To:** [HTHTestimony](#)  
**Subject:** Support SB492  
**Date:** Tuesday, February 05, 2013 11:43:36 AM

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To: Senator Josh Green, Chair  
Senator Rosalyn Baker, Vice Chair  
Members, Senate Committee on Health

Re: Support for SB 492: Relating to Tobacco Products  
Hrg: February 6, 2013 at 2:15 pm, Room 229

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

Michele Brooks  
1020 Aoloa Pl  
406B  
Kailua, HI 96734

**From:** [Francis Wong](#)  
**To:** [HTHTestimony](#)  
**Subject:** Support SB492  
**Date:** Tuesday, February 05, 2013 1:30:13 PM

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To: Senator Josh Green, Chair  
Senator Rosalyn Baker, Vice Chair  
Members, Senate Committee on Health

Re: Support for SB 492: Relating to Tobacco Products  
Hrg: February 6, 2013 at 2:15 pm, Room 229

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

Francis Wong  
3522 Ala Aloalo Pl.  
Honolulu, HI 96818

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [HTHTestimony](#)  
**Cc:** [mendezj@hawaii.edu](mailto:mendezj@hawaii.edu)  
**Subject:** \*Submitted testimony for SB492 on Feb 6, 2013 14:15PM\*  
**Date:** Friday, February 01, 2013 1:55:53 PM

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SB492

Submitted on: 2/1/2013

Testimony for HTH on Feb 6, 2013 14:15PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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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**From:** [Mark Levin](#)  
**To:** [HTHTestimony](#)  
**Subject:** Support SB492  
**Date:** Tuesday, February 05, 2013 12:43:31 PM

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To: Senator Josh Green, Chair  
Senator Rosalyn Baker, Vice Chair  
Members, Senate Committee on Health

Re: Support for SB 492: Relating to Tobacco Products

Hrg: February 6, 2013 at 2:15 pm, Room 229

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Thank you for the opportunity to provide my personal opinions as testimony in support of this measure.

Mark Levin  
2515 Dole St.  
Honolulu, HI 96822

**From:** [Matt Okahata](#)  
**To:** [HTHTestimony](#)  
**Subject:** Support SB492  
**Date:** Tuesday, February 05, 2013 1:51:43 PM

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To: Senator Josh Green, Chair  
Senator Rosalyn Baker, Vice Chair  
Members, Senate Committee on Health

Re: Support for SB 492: Relating to Tobacco Products  
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Thank you for the opportunity to provide testimony in support of this measure.

Matt Okahata  
3419 Niolopua Drive  
Honolulu, HI 96817

**From:** [Crissy Kawamoto](#)  
**To:** [HTHTestimony](#)  
**Subject:** Support SB492  
**Date:** Tuesday, February 05, 2013 1:27:58 PM

---

To: Senator Josh Green, Chair  
Senator Rosalyn Baker, Vice Chair  
Members, Senate Committee on Health

Re: Support for SB 492: Relating to Tobacco Products  
Hrg: February 6, 2013 at 2:15 pm, Room 229

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

Crissy Kawamoto  
2022 10th Ave  
Honolulu, HI 96816

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [HTHTestimony](#)  
**Cc:** [desa@excite.com](mailto:desa@excite.com)  
**Subject:** Submitted testimony for SB492 on Feb 6, 2013 14:15PM  
**Date:** Sunday, February 03, 2013 1:08:39 PM  
**Attachments:** [tobacco\\_chemicals.txt](#)

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SB492

Submitted on: 2/3/2013

Testimony for HTH on Feb 6, 2013 14:15PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
D. Lee	Individual	Oppose	No

Comments: Aloha, I have switched to RYO. The time and effort it takes is worth my health. Please see attached article. The intelligent person wouldn't hesitate to roll their own NATURAL tobacco. In use for centuries and still being used around the world.If you are TRULY concerned about health you will not tax us back into buying chemical laden cancer sticks. I personally feel healthier since I switched and smoke less too.It is Money your after like Big Tobacco and NOT my health if you allow this to pass.It would be evil to choose money over health.I pray you choose wisely. Intelligent choices, not simple solutions.Mahalo, D

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**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [HTHTestimony](#)  
**Cc:** [mz9995@hotmail.com](mailto:mz9995@hotmail.com)  
**Subject:** Submitted testimony for SB492 on Feb 6, 2013 14:15PM  
**Date:** Monday, February 04, 2013 8:29:57 AM

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SB492

Submitted on: 2/4/2013

Testimony for HTH on Feb 6, 2013 14:15PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Micheal Zehner	Hawaii Smokers Alliance	Oppose	Yes

Comments: Enough is enough. We are strongly opposed to any more of these regressive taxes.

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**To:** [HTHTestimony](#)  
**Cc:** [ryan.oswald@aol.com](mailto:ryan.oswald@aol.com)  
**Subject:** Submitted testimony for SB492 on Feb 6, 2013 14:15PM  
**Date:** Monday, February 04, 2013 8:10:11 AM

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SB492

Submitted on: 2/4/2013

Testimony for HTH on Feb 6, 2013 14:15PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Ryan Oswald	Individual	Oppose	No

Comments: What a rip off!!!! This bill 492 is clearly the product of an individual that is biffed in the head.

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