

Honolulu, Hawaii

FEB 28 2013

RE: S.B. No. 188
S.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 188, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to revise the excise tax rates for certain tobacco products by:

- (1) Replacing the definition of "large cigar" with a new definition of "premium cigar";
- (2) Effective January 1, 2014, raising the excise tax on tobacco products other than premium cigars, little cigars, and cigarettes.

Your Committee received testimony in support of this measure from the Hawaii Cigar Association, Cigar Rights of America, Shiroma's Wine and More, and numerous individuals.

Your Committee received testimony in opposition to this measure from the Department of Health, Cigar Association of America, Inc., American Cancer Society Cancer Action Network, Coalition for a Tobacco Free Hawaii, and numerous individuals.

Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.



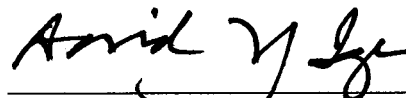
Your Committee finds that the current ad valorem tax imposed on a percentage of the wholesale price of cigars has made it difficult for Hawaii's cigar industry to compete with mail-order competitors that sell cigars in Hawaii without paying state taxes and whose customers do not file usage taxes. By revising state tobacco product excise tax rates, this measure provides an opportunity to promote the local economy by helping Hawaii's cigar retailers to compete with mail-order businesses.

Accordingly, your Committee has amended this measure by:

- (1) Deleting the amendment raising the excise tax on tobacco products other than premium cigars, little cigars, and cigarettes;
- (2) Effective January 1, 2014, applying a per-unit excise tax of fifty cents for each premium cigar of any length that is sold, used, or possessed by a wholesaler or dealer;
- (3) Changing the effective date to July 1, 2050, to encourage further discussion on this measure; and
- (4) Making technical nonsubstantive amendments for clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 188, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 188, S.D. 2, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 188 SDI	Committee Referral: WAM	Date: 2-14-13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.	✓			
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
TOKUDA, Jill N.	✓			
SLOM, Sam		✓		
TOTAL	12	1	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">Michelle N. Kidani</div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes