

STAND. COM. REP. NO.

2613

Honolulu, Hawaii

FEB 28 2014

RE: S.B. No. 2496
S.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2496, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TOBACCO PRODUCTS,"

begs leave to report as follows:

The purpose and intent of this measure is to deter the use of tobacco in Hawaii.

More specifically, this measure:

- (1) Imposes an excise tax equal to eighty-five per cent of the wholesale price of any tobacco product, other than large cigars, sold by a wholesaler or dealer on and after January 1, 2015, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;
- (2) Requires any subsequent increase in the excise tax rate imposed on cigarettes or little cigars to trigger an automatic excise tax increase on other tobacco products; and
- (3) Requires the moneys collected under the excise tax on tobacco products to be deposited to the credit of the Hawaii cancer research special fund.

Your Committee received written comments in support of this measure from the University of Hawaii Cancer Center, American

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Cancer Society Cancer Action Network, American Lung Association of the Mountain Pacific, Coalition for a Tobacco-Free Hawaii, Hawaii Primary Care Association, and twenty-two individuals. Written comments in opposition to the measure were received from Black Lava Vape and four individuals. The Department of Taxation and the Tax Foundation of Hawaii submitted written comments on the measure.

Your Committee finds that tobacco use is the single most preventable cause of disease, disability, and death in the United States. Tobacco products are addictive and inherently dangerous, causing many different types of cancer, heart disease, and other serious illnesses. Therefore, the State has a substantial interest in reducing the number of individuals, especially adolescents, who use tobacco products. Your Committee further finds that tobacco products other than cigarettes are currently taxed at a lower rate than cigarettes, even though their use carries similar health risks. Your Committee believes that raising the tax on tobacco products will encourage tobacco users to quit, sustain cessation, prevent youth initiation, and reduce consumption among those who continue to use tobacco.

Your Committee has amended this measure by:

- (1) Changing the amount of the tax to an unspecified amount; and
- (2) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

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. 2496, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2496, S.D. 2.

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



DAVID Y. IGE, Chair



