

Honolulu, Hawaii

March 22, 2013

RE: S.B. No. 492
S.D. 2
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Sir:

Your Committees on Health and Higher Education, to which was referred S.B. No. 492, S.D. 2, entitled:

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

beg leave to report as follows:

The purpose of this measure is to impose taxes on tobacco products, other than large cigars, at a rate similar to those imposed on cigarettes by:

- (1) Imposing an excise tax equal to an unspecified percent of the wholesale price of each article or item of tobacco products, other than large cigars, sold or used by a wholesaler or dealer on and after January 1, 2014; and
- (2) Directing that the additional moneys collected under the excise tax be deposited to the credit of the Hawaii Cancer Research Special Fund.

The University of Hawaii Cancer Center, Coalition for a Tobacco Free Hawaii, American Cancer Society Cancer Action Network, and an individual supported this measure. The Department of Health supported this measure with amendments. The Department of Taxation supported the intent of this bill. The Cigar Association of America, Inc.; RAI Services Company; Ley's Roll



Hawaii Kokea; and several individuals opposed this measure. The Tax Foundation of Hawaii submitted comments.

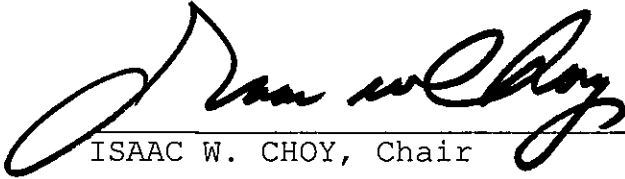
Your Committees have amended this measure by:

- (1) Changing the imposition of the excise tax on tobacco products to a rate of \$3.20 per net ounce of tobacco, based on the manufacturer's listed net weight, for each article or item of tobacco products, other than large cigars, sold by a wholesaler or dealer on or after January 1, 2014;
- (2) Defining "manufacturer's listed net weight";
- (3) Changing the allocation of monies generated by the increased excise tax to the following:
 - (A) 12 percent to the Hawaii Cancer Research Special Fund;
 - (B) 9 percent to the Trauma System Special Fund;
 - (C) 8 percent to the Community Health Centers Special Fund;
 - (D) 8 percent to the Emergency Medical Services Special Fund,with the remainder going into the general fund; and
- (4) Changing its effective date to July 1, 2013.

As affirmed by the records of votes of the members of your Committees on Health and Higher Education that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 492, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 492, S.D. 2, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committees on Health and Higher
Education,


ISAAC W. CHOY, Chair


DELLA AU BELATTI, Chair



