

SB2497

Measure Title: RELATING TO TOBACCO REGULATION.

Report Title: Tobacco Regulation; License Fee; Retail Tobacco Permit; Cigarettes; Tobacco Products

Description: Increases the license fee for persons engaged as a wholesaler or dealer of cigarettes or tobacco products. Increases the retail tobacco permit fee for retailers engaged in the retail sale of cigarettes and other tobacco products.

Companion: [HB2173](#)

Package: None

Current Referral: CPN, WAM

Introducer(s): BAKER, GREEN, English, Galuteria, Ihara, Kidani, Nishihara, Taniguchi, Wakai

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



GARY L. GILL
ACTING 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 COMMERCE AND CONSUMER PROTECTION

SB2497, RELATING TO TOBACCO REGULATION

Testimony of Gary L. Gill
Acting Director of Health

January 29, 2014
9:00 am, Room 229

1 **Department's Position:** The Department of Health (DOH) offers comments and defers to the
2 Department of Taxation (DoTax) on those matters relating to fees and revenue generation.

3 **Fiscal Implications:** The DOH defers to the DoTax on the fiscal implications

4 **Purpose and Justification:** SB2497 proposes to increase the current annual license fee for tobacco
5 wholesalers and dealers from \$2.50 to an unspecified amount and also increase the annual tobacco retail
6 permit fee from \$20.00 to an unspecified amount. The stated purpose for the increase is to ensure
7 continued tobacco regulation and enforcement of relevant tax laws.

8 Tobacco retailer licensing is an effective tool for limiting the negative public health
9 consequences of tobacco use by ensuring that wholesalers and retailers comply with responsible sales
10 practices. Wholesale and retail licenses with adequate annual fees provide the necessary resources for
11 administrative costs and for enforcement. In many states the fees are important strategies for limiting
12 youth access to tobacco.

13 When compared with other states in the country, Hawaii's fees are among the lowest. The \$2.50
14 wholesale license fee has not increased since at least 1995. Hawaii is only one of two states that charge

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1 a wholesaler/dealer less than a retailer for a license. According to DoTax in FY 2013, the state received
2 only \$505.00 in wholesale license fees and \$30,827.50 in retail permits. The Campaign for Tobacco-
3 Free Kids reports that the tobacco industry spends \$26.9 million a year in marketing their products in
4 Hawaii.

5 To decrease access of tobacco to minors and to prevent initiation of tobacco use, the DOH
6 suggests that the amount of the fees be set sufficiently to incorporate a mitigating fee (a fee that goes
7 toward reducing the harm caused by a product or activity) and to include suspension or revocation of
8 licenses and/or permits as penalties for illegal sales to minors. Twenty-eight states suspend or revoke
9 licenses for convictions of selling tobacco to minors. This is not the case in Hawaii. Violation of
10 §709-908 HRS, regarding selling tobacco products to minors, including electronic smoking devices,
11 results only in a fine to the seller of not less than \$500 nor more than \$2,000. The offending minor is
12 either fined or required to perform community service.

13 Thank you for the opportunity to comment.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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DEPARTMENT OF TAXATION

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FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Rosalyn H. Baker, Chair
and Members of the Senate Committee on Commerce and Consumer Protection

Date: Wednesday, January 29, 2014

Time: 9:00 a.m.

Place: Conference Room 229, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2497, Relating to Tobacco Regulation

The Department of Taxation (Department) appreciates the intent of S.B. 2497 and provides the following comments for your consideration.

S.B. 2497 amends the tobacco license fee under Hawaii Revised Statutes (HRS) § 245-2 and the retail tobacco permit under HRS §245-2.5, by deleting the current fees of \$2.50 and \$20, respectively, and replacing them with unspecified amounts.

The Department notes that it will be able to enforce this measure regardless of the amount that the Legislature chooses to insert.

Thank you for the opportunity to provide comments.



To: The Honorable Rosalyn H. Baker, Chair, Committee on Commerce and Consumer Protection
The Honorable Brian T. Taniguchi, Vice Chair, Committee on Commerce and Consumer Protection
Members, Senate Committee on Commerce and Consumer Protection

From: Tiffany L. Gourley, Policy & Advocacy Director
Date: January 29, 2014
Hrg: Senate Committee on Commerce and Consumer Protection; Wed., January 29, 2014 at 9:00 a.m. in Rm 229
Re: **Support with Comments for SB 2497, Relating to Tobacco Regulation**

Thank you for the opportunity to offer testimony in **support of the intent** of SB 2497 and offer comments.

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 beaches advocacy work at the county and state levels.

Of the states that charge a wholesaler and dealer license fee, Hawaii has the lowest wholesaler and dealer license fee in the nation.

After state by state research on license fees for wholesalers, dealers, and distributors, the Coalition recommends the Legislature increase the wholesaler and dealer license fee to \$250.00. The current wholesaler and dealer license application fee is \$2.50. Nationally, the amounts range from no fee to \$1,500.00 per year. Of the 38 states that have fees, Hawaii has the lowest fee. Most states (26 out of 38) charge \$100.00 per year or more. 14 states charge \$200.00 per year or more and nine states charge between \$500.00 per year and \$1,500.00 per year. Hawaii is only state that charges a wholesaler less than a retailer.

Comparatively, the City and County of Honolulu Liquor Commission charges \$2,640.00 annually for a Wholesale General Standard liquor license.

Of the states that charge a retailer permit fee, Hawaii currently has one of the lowest retailer permit fees in the nation.

After state by state research on permit fees for retailers, the Coalition recommends the Legislature increase the wholesaler and dealer license fee to \$50.00. The current permit application fee is \$20.00. Nationally, the amounts range from no fee to \$1,000.00 per year. Of the 32 states that have fees, 15 states charge more than \$20.00 per year but less than \$100.00 per



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year, with about half of those states charging \$50.00 per year or more. The average amount charged is \$83.75 per year.

Comparatively, the City and County of Honolulu Liquor Commission charges \$1,200.00 annually for a Retail General Standard liquor license.

The Coalition offers comments and recommends including the language from SB 2495 to allow for revenues from the wholesaler and distributor license fees and retailer permit fees collected to be used to support smoking cessation programs in the State.

An increase to \$250.00 would permit the state to provide monies to tobacco cessation programs in addition to administrative costs. Last year the State received \$40.00 total from the wholesaler and dealer license fees and \$3,320.00 total from the retail permits.¹ By increasing the fees from \$2.50 to \$250.00 and from \$20.00 to \$50.00, respectively, the amount received would cover the administrative costs as well as provide some support for smoking cessation programs in the State.

SB 2495, Relating to Electronic Smoking Devices, amends the Hawaii Revised Statutes to make "it unlawful for any person to engage in the business of a wholesaler or dealer of electronic smoking devices in the State without having received first a license." Under the proposed subsection (f) "[r]evenue from the license fees collected under this section shall be used to support smoking cessation programs in the State." The Coalition recommends the Committee to adopt similar language to allow for revenues from the cigarette and tobacco products wholesaler and distributor license fees and retailer permit fees to help support smoking cessation programs.

Thank you for the opportunity to testify on this matter.

Tiffany L. Gourley, esq.
Policy and Advocacy Director

¹ <http://data.hpu.edu/tobaccotaxcollection.html>

SB2497

Submitted on: 1/28/2014

Testimony for CPN on Jan 29, 2014 09:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Zehner	Hawaii Smokers Alliance	Oppose	No

Comments: More wasteful over-regulation and taxation. If people want to smoke they smoke, and just like alcohol prohibition, there is NOTHING the State can do to stop people from having it.

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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