

NEIL ABERCROMBIE
GOVERNOR

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STATE OF HAWAII
DEPARTMENT OF TAXATION
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FREDERICK D. PABLO
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JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Thursday, February 13, 2014
Time: 9:30 a.m.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2497, S.D. 1, Relating to Tobacco Regulation

The Department of Taxation (Department) appreciates the intent of S.B. 2497, S.D. 1 and provides the following comments for your consideration.

S.B. 2497, S.D. 1, 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 and replacing them with fees of \$250 and \$50, respectively. The measure also amends the law by including a sentence which states: "Revenue from the license fees collected under this subsection shall be used to support smoking cessation programs in the State."

With respect to the increase in fees, the Department notes that it will be able to enforce this rate, or any rate the Legislature chooses. However, the Department requests that any increase in rates be effective after December 31, 2014, to provide the Department the time necessary to amend its forms and instructions.

With respect to the language specifying how the fees are to be used, the Department recommends these sentences be deleted; instead, section 245-15, HRS, should be amended to specify how the revenues are to be disposed.

Thank you for the opportunity to provide comments.



To: The Honorable David Y. Ige, Chair, Committee on Ways & Means
The Honorable Michelle N. Kidani, Vice Chair, Committee on Ways & Means
Members, Senate Committee on Ways & Means

From: Tiffany L. Gourley, Policy & Advocacy Director

Date: February 11, 2014

Hrg: Senate Committee on Ways & Means; Thurs., February 13, 2014 at 9:30 a.m. in Rm 211

Re: **Support for SB 2497 SD 1, Relating to Tobacco Regulation**

Thank you for the opportunity to offer testimony in **support** of SB 2497, which increases the license fee for person 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, and specifies the revenue from the license and permit fees shall be used to support smoking cessation programs in the State.

The Coalition for a Tobacco Free Hawaii (Coalition) is a program of the Hawaii Public Health Institute working to reduce tobacco use through education, policy and advocacy. The Coalition consists of over 100 member organizations and 2,000 advocates that work to create a healthy Hawaii through comprehensive tobacco prevention and control efforts.

Of the states that charge a wholesale 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 the 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 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 supports using the revenues from the wholesaler and distributor license fees and retailer permit fees collected to support smoking cessation programs in the State.

Thank you for the opportunity to testify on this matter.



Tiffany L. Gourley, esq.
Policy and Advocacy Director



Executive Officers:
Stanley Brown, ConAgra Foods - Chairperson
John Schilf, RSM Hawaii - Vice Chair
Derek Kurisu, KTA Superstores - Treasurer
Lisa DeCoito, Aloha Petroleum - Secretary
Lauren Zirbel, Executive Director

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TO:
COMMITTEE ON WAYS AND MEANS
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Thursday, February 13, 2014
TIME: 9:30 a.m.
PLACE: Conference Room 211

RE: SB2497

Position: Strongly Oppose

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers and distributors of food and beverage related products in the State of Hawaii.

Hawaii has the second highest tobacco taxes of any state. Tobacco cessation programs are already successfully operating in the state and have access to large funding sources from existing tobacco taxes and tobacco settlements.

The purpose of licensing and permitting fees is cover license and permit costs. There is no connection between the states licensing and permitting process and tobacco education programs. We are strongly opposed to these fees being used for tobacco education programs, as that is not their purpose.

This bill unfairly targets retailers and wholesalers, rather than focusing efforts on tobacco users. It does not specify what the increased rates will be when the bill is implemented or how they will be increased each year. This makes it impossible for these businesses to budget and plan ahead, and could result in them having to raise prices on other goods, not just tobacco to make up for the constant increases and uncertainty.

Tobacco use is decreasing around the country, including here in Hawaii. The laws we have in place and the fees and taxes charged are sufficient. Please vote no on this measure.

Thank you for the opportunity to testify.