

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
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To: The Honorable Angus L.K. McKelvey, Chair
and Members of the House Committee on Consumer Protection & Commerce

Date: Wednesday, February 11, 2015
Time: 2:30 P.M.
Place: Conference Room 325, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 145, Relating to Taxation

The Department of Taxation (Department) provides the following comments on H.B. 145 for the Committee's consideration.

H.B. 145 amends the tax on large cigars by replacing the current rate of 50% of the wholesale price with a rate of the lesser of either 50 cents per cigar or 50% of the wholesale price.

First, the Department recommends setting forth the amendment of section 245-3(a)(13), Hawaii Revised Statutes, as a new paragraph (14), and leave the current paragraph (13) unamended, in order to avoid retroactively repealing the tax on large cigars sold, used or possessed before July 1, 2015. The Department recommends the language be amended to read as follows:

(14) An excise tax equal to the lesser of:
(A) Fifty cents; or
(B) Fifty per cent of the wholesale price;
for each large cigar of any length, sold, used, or
possessed by a wholesaler or dealer on and after July
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.

Thank you for the opportunity to provide comments.



American Cancer Society
Cancer Action Network
2370 Nu`uanu Avenue
Honolulu, Hawai`i 96817
808.432.9149
www.acscan.org

House Committee on Consumer Protection and Commerce
Representative Angus McKelvey, Chair
Representative Justin Woodson, Vice Chair

HB 145 – RELATING TO TAXATION

Cory Chun, Government Relations Director – Hawaii Pacific
American Cancer Society Cancer Action Network

Thank you for the opportunity to provide testimony in **opposition** to HB 145, which changes the excise tax rate on large cigars by setting the maximum tax at \$.50 per large cigar.

The American Cancer Society Cancer Action Network (ACS CAN) is the nation's leading cancer advocacy organization. ACS CAN works with federal, state, and local government bodies to support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem.

Cigar use has substantial health risks.

Many people view cigar smoking as more sophisticated and less dangerous than cigarette smoking. Yet one large cigar can contain as much tobacco as an entire pack of cigarettes. Cigars are tobacco, and they are dangerous to your health.

Cigars contain nicotine, the substance in tobacco that addicts people. Cigar smokers who inhale absorb nicotine through the lungs as quickly as cigarette smokers. For those who don't inhale, the nicotine absorbs more slowly through the lining of the mouth. Cigar smoke dissolves more easily in saliva than cigarette smoke. This means cigar smokers can get the desired dose of nicotine without inhaling the smoke into their lungs. People who use oral or spit tobacco products absorb nicotine the same way. Nicotine in any form is highly addictive.

Cigars are not a safer alternative to cigarettes.

Cigars contain the same cancer-causing substances as cigarettes and other tobacco products. Cigar smoking increases the risk of cancers of the lung, mouth, larynx, esophagus, and likely pancreas and bladder (if inhaled). Cigar smokers are four to ten times more likely to die from laryngeal, oral, or esophageal cancers than nonsmokers.

Even cigar smokers who don't inhale are still breathing in large amounts of smoke that come from the lit end of the cigar and face an increased risk of lung cancer.

Even though people smoke cigars for different reasons, the fact is, like cigarettes, cigars deliver nicotine. Most full size cigars have as much nicotine as several cigarettes. Cigarettes contain an average of about 8 milligrams (mg) of nicotine. Many popular brands of larger cigars contain between 100 and 200 mg, or even as many as 444 mg of nicotine.

Like all other tobacco products, cigars should be subject to taxation to reduce the deadly and costly burden of tobacco use.

What this measure attempts to do is treat large cigars differently than other tobacco products by capping the tax to \$.50. Large cigars may contain more than a half an ounce of tobacco. *This is as much tobacco as a whole pack of cigarettes.* This measure essentially makes the purchase of tobacco cheaper for a cigar than a cigarette. We shouldn't be favoring one tobacco product over another and creating an unjustified economic advantage for a known cause of cancer. For these reasons, ACS CAN is in opposition to this measure and urges the committee to consider the negative health effects that come from making a tobacco product more affordable for people, especially our youth and young adults.

Hawaii has always taken great pride in being known as the healthiest state in the nation: let's not undo all of the progress we have made to reduce the burden of tobacco and cancer. Thank you for the opportunity to provide testimony on this matter.



Testimony **STRONGLY OPPOSING** HB 145, “Relating To Taxation”

The American Heart Association **STRONGLY OPPOSES** HB 145, “Relating to Taxation.”

Cigar use is a significant public health concern. Cigars—just like cigarettes and other tobacco products—are not safe. Cigar smoking exposes users to toxic chemicals; causes cancer of the oral cavity, larynx, esophagus, and lung; and increases risk for heart disease, chronic obstructive pulmonary disease, and aortic aneurysm. Exposure to secondhand cigar smoke also places nonsmokers at risk.

While cigarette smoking has been gradually declining in the United States, cigar smoking has recently increased dramatically. More importantly, cigar smoking is not limited to adults; it is the second most common form of tobacco use among youth. Among high school students, while cigarette smoking declined between 2005 and 2011, cigar use did not change statistically. The most recent data available show that 13.1 percent of high school students currently smoke cigars (17.8% among boys; 8.0% among girls). Cigars also appeal to youth because they, unlike cigarettes, can be purchased individually.

Cigars are Under Taxed & Less Restricted. The federal government and almost all of the states compound these problems by sharply under-taxing cigars compared to cigarettes, often making smaller cigars a less-expensive alternative to cigarettes. Moreover, many laws and restrictions pertaining to cigarettes – such as federal laws banning flavored cigarettes, blocking illegal Internet sales and restricting cigarette marketing – do not apply to cigars.

Because of these reasons, the AHA strongly opposes suggestions that cigar taxes be capped or reduced. If anything, cigar taxes should be increased to create parity with cigarette taxes in Hawaii.

The American Heart Association urges legislators to oppose HB 145.

Respectfully submitted,

Donald B. Weisman
Hawaii Government Relations/Community Relations Director

February 10, 2015

To: The Honorable Angus L.K. McKelvey, Chair
The Honorable Justin H. Woodson, Vice Chair
Members, House Committee on Consumer Protection & Commerce

Hrg: Wed., February 11, 2015 at 2:30PM in Rm 325

Re: Strong Opposition to HB 145, Relating to Taxation

I strongly oppose HB145 which would change the tax on large cigars to the lesser of a) 50 cents each or b) 50 percent of the wholesale price for each cigar. I serve as the Hawai'i director for the American Lung Association of the Mountain Pacific; our mission is to save lives by improving lung health and preventing lung disease.

There are no safe tobacco products, and there is no safe level of exposure to tobacco smoke. Cigar smoke, like cigarette smoke, contains toxic and cancer-causing chemicals that are harmful to both smokers and nonsmokers. Cigar smoking causes oral cavity cancers (cancers of the lip, tongue, mouth, and throat) and cancers of the larynx, esophagus and lung. All cigar smokers, whether or not they inhale, directly expose their lips, mouth, tongue, throat and larynx to tobacco smoke and its toxic and cancer causing chemicals.

All other tobacco products including cigars should be taxed at the same amount as cigarettes. Cigars, whether large, small, or premium, should be taxed at rates equivalent to cigarettes. Currently large cigars are taxed at a lower rate than other tobacco products. Creating a tax cap for large cigars will create a loophole that the industry will take advantage of and harm the health of our communities. One of the most effective ways to discourage tobacco use is to maintain high taxes on these deadly products.

Lowering or capping taxes on any tobacco product sends the wrong message. Our State has been leading the way in tobacco control, this bill is a step backwards for our State. I strongly oppose HB 145 and ask you to hold this bill in committee.

I can be reached at 808-687-5375 or knguyen@ala-hawaii.org, should you have any questions. Thank you for the opportunity to provide testimony.

Mahalo,



Kim Nguyen, MSW
Executive Director – Hawai'i
American Lung Association of the Mountain Pacific

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TOBACCO, Adjust tax rate on large cigars

BILL NUMBER: SB 401; HB 145 (Identical)

INTRODUCED BY: SB by Kouchi & Green; HB by Souki, Luke & McKelvey

BRIEF SUMMARY: Amends HRS section 245-3 to provide that large cigars shall be taxed at the lesser of: (1) 50 cents per cigar; or (2) 50% of its wholesale price, effective July 1, 2015.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: Presently, the tobacco tax on large cigars is 50% of the wholesale price. This measure would provide that large cigars shall be taxed at either 50 cents each, or 50% of the wholesale price, whichever is less. While the adoption of this measure would, in theory, lower the price of large cigars, it is questionable why a tax break for costly large cigars is proposed.

Digested 2/10/15



COALITION FOR A TOBACCO-FREE HAWAII

To: The Honorable Angus L.K. McKelvey, Chair, Committee on Consumer Protection & Commerce
The Honorable Justin H. Woodson, Vice Chair, Committee on Consumer Protection & Commerce
Members, House Committee on Consumer Protection & Commerce

From: Jessica Yamauchi, Executive Director

Date: February 9, 2015

Hrg: House Committee on Consumer Protection & Commerce; Wednesday, February 11, 2015
at 2:30 p.m. in Rm 325

Re: **Strong Opposition for HB 145, Relating to Taxation**

Thank you for the opportunity to offer testimony in *strong opposition* of HB 145 which reduces the tax on large cigars to the lesser of 50 cents per large cigar or 50 percent of the wholesale price of each large cigar.

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. Our program consists of over 100 member organizations and 2,000 advocates that work to create a healthy Hawaii through comprehensive tobacco prevention and control efforts.

Cigars are TOBACCO products.

Cigar smoking is addictive, and cigar smoke, similar to cigarette smoke, contains toxic and cancer-causing chemicals that are harmful to both smokers and nonsmokers. Cigar smoking causes oral cavity cancers (cancers of the lip, tongue, mouth and throat) and cancers of the larynx, esophagus and lung. There is no safe tobacco product and no safe level of exposure to tobacco smoke.

Although cigarette smoking is declining across the nation, cigar smoking has been increasing. Between 2006 and 2010, cigar use increased nationally by 123%. According to the Department of Health adult cigar use in Hawaii has increased from 3.2% in 2006 to 4.3% in 2010.

Cigars are under-taxed and less regulated than cigarettes.

The federal government and almost all of the states across the country under-tax cigars compared to cigarettes. Campaign for Tobacco-Free Kids recommends:

- Match State cigar tax (for both large and small cigars) with the cigarette tax rate (in Hawaii this is 80% of the wholesale price)
- Raise the cigar tax whenever any other tobacco product tax rates are increased
- Set cigar tax rates as a percentage of their wholesale price



COALITION FOR A TOBACCO-FREE HAWAII

- Eliminate any caps on cigar tax rates
- Ensure no cigarettes can qualify as “cigars” under state law

HB 145 would create a loophole for cigars.

Creating a tax cap for large cigars will create a loophole and the tobacco industry is notorious for taking advantage of loopholes. For example, Bloomberg News reported in 2013, that Cheyenne International added spiolite, a clay substance also used in cat litter, to filters to create “heavy weight” cigars and avoid higher taxes. The Coalition is concerned with the industry’s ability to manipulate their product in order to fit the lower tax category. This bill has the potential to create a loophole for little cigars and cigarillos, which more closely resemble cigarettes and are often flavored and more attractive to youth.

Public Support.

According to an independent poll conducted by SMS in 2014 for the Coalition, 75% of Hawaii residents support taxing all tobacco products, including cigars at the same rate as cigarettes.

The Coalition strongly opposes reducing taxes on large cigars and we ask you to remain strong on tobacco control and urge you to hold this bill in committee.

Thank you for the opportunity to testify on this matter.

Jessica Yamauchi, M.A.
Executive Director



Home > Press Releases > Talk about a Scoop: Tobacco Company Puts Kitty Litter in Its Cigars

Talk about a Scoop: Tobacco Company Puts Kitty Litter in Its Cigars

Statement of Matthew L. Myers, President, Campaign for Tobacco-Free Kids

Mar. 1 2013

WASHINGTON, DC – How low can the tobacco industry go? Thanks to one U.S. tobacco company, some Americans are now smoking kitty litter.

Bloomberg News reported today that Cheyenne International's "heavy weight" cigars – which look like cigarettes, but weigh more – have a filter containing sepiolite, a clay material used in kitty litter, waste treatment and industrial cleaners. Scientists who examined the filter for Bloomberg determined it was made of sepiolite.



Why would a tobacco company add kitty litter to cigars? According to the Bloomberg report, it is part of a strategy by some cigar manufacturers to increase the weight of their cigars to evade higher tax rates charged on smaller cigars and cigarettes and to continue selling candy and fruit-flavored tobacco products to kids despite Congress' ban on flavored cigarettes. These schemes have undermined efforts to reduce smoking and helped manufacturers avoid more than a \$1 billion in taxes since federal tobacco taxes were increased in 2009.

Whatever the reason, it is appalling that a tobacco company can secretly add kitty litter to cigars. Who knows what smokers of these cigars are exposed to when they inhale particles from kitty litter? And who knows what else has been added to these cigars without our knowledge? Certainly not the smokers themselves or the Food and Drug Administration (FDA), which currently regulates some tobacco products, but not cigars. Until cigars are regulated, manufacturers will remain free to add anything they want to their products without telling consumers or any government agency and without regard for the impact on health.

While kitty litter in cigars sounds like a bad joke, it points to a serious need to close the regulatory and tax loopholes that tobacco companies have exploited to market cheap, sweet-flavored cigars that appeal to kids and undermine efforts to reduce smoking. The FDA must move forward in regulating all tobacco products, including cigars, and Congress must reject legislation that would exempt some cigars from FDA oversight.

In addition, Congress should approve legislation introduced by U.S. Senator Dick Durbin (D-IL) to increase federal tax rates on all tobacco products to the same rate as cigarettes, which would prevent tobacco companies from manipulating products to qualify for lower rates.

These actions would close two harmful loopholes in current law:

Under the landmark 2009 tobacco regulation law, the FDA currently regulates cigarettes, cigarette tobacco, roll-your-own tobacco and smokeless tobacco, but not cigars. The law authorizes the FDA to extend its jurisdiction to all tobacco products, including cigars. The FDA in December 2010 announced plans to do so, but it has yet to act. In the meantime, tobacco companies have circumvented a ban on candy and fruit-flavored cigarettes by marketing similarly-flavored, cheap cigars that look and are smoked just like cigarettes. Cheyenne, whose slogan is "why pay more for what you're looking for," markets cigarette-like cigars in flavors like wild cherry, grape, peach, vanilla and "Xotic" berry.

Another 2009 law increased the federal cigarette tax to \$1.01 per pack and equalized the tax rate on small cigars and roll-your-own tobacco to cigarettes. However, larger cigars and other tobacco products were taxed at much lower rates, spawning widespread tax avoidance schemes. Because the distinction between small and large cigars is based on weight, some cigar manufacturers made their small cigars slightly heavier to qualify for the low tax rate on large cigars. This keeps these cigars cheap and appealing to price-sensitive kids. According to the Bloomberg report, 12 companies either switched to or increased production of large cigars in the year following the 2009 federal tobacco tax increase.

These actions show the lengths to which tobacco companies will go to manipulate their products and evade regulations and taxes aimed at reducing smoking. The FDA must regulate all tobacco products, and taxes must be equalized on all tobacco products. No tobacco product should be exempt from these important measures to prevent our kids from smoking and reduce tobacco's terrible toll on our country.

Media Contacts

United States

Peter Hamm

PHamm@tobaccofreekids.org

International

Caroline Renzulli

CRenzulli@tobaccofreekids.org

Phone

202.296.5469

February 10, 2015

TO: Chair Angus L.K. McKelvey and Members of the House Committee of
Consumer Protection & Commerce

FROM: Cigar Association of America, Inc.
(William Goo)

RE: **HB 145** - Relating to Taxation
Hearing Date: February 11, 2015
Time: 2:30 pm

My name is William Goo. I represent the Cigar Association of America, Inc. (CAA).

CAA **supports** HB145 which creates a tax cap on the sale of large cigars. This bill would tax large cigars at the lesser of 50 cents for each large cigar or 50% of the wholesale price of a large cigar which is the current rate. The effect of a cap would not necessarily be an increase in the number of cigar consumers or the consumption rate but should result in an increase in local purchases and hence, more tax revenue for the State.

Thank you for considering this testimony.

hawaiiCigar

ASSOCIATION

To: The Honorable Angus L.K. McKelvey, Chair
and Members of the House Committee on Consumer Protection & Commerce

Date: Wednesday, February 11, 2015
Time: 2:30 p.m.
Place: Conference Room 325, State Capitol

From: Les Drent
for the Hawaii Cigar Association

Re: HB145, Relating to Taxation

Dear Representative McKelvey and Members of the House Committee on Consumer Protection & Commerce,

The Hawaii Cigar Association (HCA) supports the findings of the Legislature, and we also support HB145.

The HCA contends that large cigars are rarely--if ever--possessed or consumed by minors and therefore pose negligible risk to them. Children are not attracted to cigars, and their cost--between \$5 and \$30 apiece on average--prices them beyond the reach of most minors.

The HCA is committed to protecting the freedom of legal-age adults to enjoy cigars. Pursuant to that aim, HCA is also committed to revising the burdensome Hawaii tax code, which disadvantages local cigar retailers, and the Kauai grown cigar industry by requiring it to pay far more than its fair share in taxes for their artisanal products. The current wholesale tax of 50% also incentivizes consumers to buy cheaper cigars from unlicensed sources outside the state.

The HCA stands united with the Legislature and with Tobacco-Free in ensuring that Hawai'i's youth be discouraged from using tobacco of any kind, including cigars.

On behalf of all those who enjoy cigars, we thank you for your consideration on this very important tax bill. This law would bring parity to the tax code, support local businesses, and farms, and keep Hawaii's tax dollars at home.

Sincerely,



Les Drent
for the Hawaii Cigar Association

For More Information on the Hawaii Cigar Association please visit

hawaiicigarassociation.org



CAP THE CIGAR TAX!

Create Fairness and Equal Opportunity for Hawaii Businesses

Tax Caps in other US States with high % Cigar Taxes

Arkansas

(68% mfr. price, 50¢ cap)

Connecticut

(50% wholesale, 50¢ cap)

Florida

(no tax on cigars)

Iowa

(50% wholesale, 50¢ cap)

Michigan

(32% wholesale, 50¢ cap)

New Hampshire

(No tax on premium cigars)

Oregon

(65% wholesale price, 50¢ cap)

Pennsylvania

(no tax on cigars)

Rhode Island

(80% wholesale price, 50¢ cap)

Wisconsin

(71% mfr. price, 50¢ cap)

Washington

(95% taxable sales price, 75¢ cap)

US Government

(52.75% mfr. price 40.26¢ cap)

hawaiicigarassociation.org



Executive Officers:

John Schilf, RSM Hawaii - Chairperson
Derek Kurisu, KTA Superstores - Vice Chair
Lisa DeCoito, Aloha Petroleum - Treasurer
John Erickson, Frito-Lay - Secretary
Lauren Zirbel, Executive Director

1050 Bishop St. PMB 235
Honolulu, HI 96813
Fax : 808-791-0702
Telephone : 808-533-1292

TO:
COMMITTEE ON CONSUMER PROTECTION
Representative Angus L.K. McKelvey, Chair
Representative Justin H. Woodson, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 11, 2015
TIME: 2:30pm
PLACE: Conference Room

RE: HB145

Position: Support

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.

We support this measure. A taxation rate for large cigars of the lesser of: fifty cents for each large cigar; or fifty per cent of the wholesale price is a fair and reasonable rate for these products.

Thank you for the opportunity to testify.



To: The Honorable Angus L.K. McKelvey, Chair
and Members of the House Committee on Consumer Protection & Commerce

Date: Wednesday, February 11, 2015
Time: 2:30 p.m.
Place: Conference Room 325, State Capitol

From: Les Drent
for the Kauai Cigar Company

Re: HB145, Relating to Taxation

Dear Representative McKelvey and Members of the House Committee on Consumer Protection & Commerce,

The Kauai Cigar Company, its employees, and industry partners stand in strong support of HB145. This bill, if passed, would bring parity to the Hawaii tax code, and our Kauai grown cigars would finally be treated fairly under the law. For years, our company has been paying much more than its fair share of taxes as a result of an extremely high cost of production here in the Islands. Because the tax rate is percentage based, our competitors are selling the same size cigars, but are able to charge less tax as a result of a much lower cost of goods. Furthermore, many of our competitors' cigars are made entirely by machine and sell at very low price points, thus driving the tax liability to a mere fraction of what Kauai Cigar Company must pay every month on its M19 returns.

Also impacting our farming business negatively is the loss of sales as a result of many Hawaii consumers purchasing lower priced mail order premium cigars from outside of Hawaii. We strongly believe that few, if any, of these consumers file usage tax returns on their out of State purchases. We lose, the Department of Revenue loses, and ultimately the people of Hawaii lose with the loss of tax collection.

Even under this unfair tax structure, no farm laborer is paid less than fifteen dollars per hour, and full time employees receive the benefit of full health care insurance, paid in full by the company. Every employee is covered by Worker's compensation insurance, and Temporary Disability Insurance. When you add all this together and tax the final product at 50% what you have are cigars that are priced between ten to twenty dollars by the time they hit store shelves. And at these prices, we would venture to guess that these cigars never reach the hands of a youth consumer!

For all these reasons listed, all of us at Kauai Cigar Company applaud each and every Hawaii Legislator that recognizes our hard work, and our right to be treated fairly under Hawaii tax code.

Sincerely,

Les Drent
Farmer/President

Kauai Cigar Company
6200 Kawaihau Road, Unit B, Kapaa, HI 96746 USA
Ph: 808-822-4495 Fax: 808-822-9731

woodson2-Rachel

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 10, 2015 1:56 PM
To: CPCtestimony
Cc: wfujio@abcstores.com
Subject: Submitted testimony for HB145 on Feb 11, 2015 14:30PM

HB145

Submitted on: 2/10/2015

Testimony for CPC on Feb 11, 2015 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Wendy	ABC Stores	Support	No

Comments: Support testimony sent on behalf of Paul Kosasa, President & CEO of ABC Stores.

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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woodson2-Rachel

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 09, 2015 9:06 PM
To: CPCtestimony
Cc: tai1983@gmail.com
Subject: *Submitted testimony for HB145 on Feb 11, 2015 14:30PM*

HB145

Submitted on: 2/9/2015

Testimony for CPC on Feb 11, 2015 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Tai Erum	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 10, 2015 1:27 PM
To: CPCtestimony
Cc: trevpless@gmail.com
Subject: Submitted testimony for HB145 on Feb 11, 2015 14:30PM

HB145

Submitted on: 2/10/2015

Testimony for CPC on Feb 11, 2015 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Trevyn Pless	Individual	Support	No

Comments: I fully support this legislation.

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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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 10, 2015 1:28 PM
To: CPCtestimony
Cc: fred@ejlounge.com
Subject: Submitted testimony for HB145 on Feb 11, 2015 14:30PM

HB145

Submitted on: 2/10/2015

Testimony for CPC on Feb 11, 2015 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Fred Remington	Individual	Support	No

Comments: I am definitely in support of this bill for the good of all cigar smokers in Hawaii. Thanks for your support and consideration.

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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STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, HI 96801-3378
doh.testimony@doh.hawaii.gov

LATE

**Testimony in OPPOSITION to HB0145
RELATING TO TAXATION**

REPRESENTATIVE ANGUS L.K. MCKELVEY, CHAIR
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Hearing Date: February 11, 2015

Room Number: 325

1 **Fiscal Implications:** None.

2 **Department Testimony:** The Department of Health (DOH) opposes HB0145 which proposes to
3 amend §245 HRS to reduce the excise tax rate on sales of large cigars from 50 percent of
4 wholesale value to the lesser of: a) \$0.50 for each large cigar; or b) 50 percent of the wholesale
5 price of each large cigar after July 1, 2015.

6 Cigars vary in size from little cigars, which are the same size and shape of a traditional
7 cigarette containing one gram of tobacco, to large cigars, which can be more than seven inches in
8 length and typically contain between 5 and 20 grams of tobacco. Large cigars are a distinct
9 entity and are taxed separately from cigarettes/little cigars and other tobacco products. They are
10 explicitly defined in §245.1 HRS as “any roll for smoking made wholly or in part of tobacco if
11 such product is wrapped in any substance containing tobacco and weighs more than four pounds
12 per thousand.”

13 The DOH opposes the decrease in taxation for this product. There is no justification for
14 giving cigars any special tax treatment. The DOH is most concerned about the public health
15 implications, as lowering the price of tobacco products encourages increased smoking and
16 discourages quitting. Cigar smoking is addictive, and cigar smoke, like cigarette smoke,
17 contains toxic and cancer-causing chemicals that are harmful to both smokers and non-smokers.
18 There is no safe tobacco product, and there is no safe level of exposure to tobacco smoke.

19 Smoking and tobacco use are the leading cause of preventable death and disease in
20 Hawaii, claiming 1,200 lives each year and generating \$526 million in annual medical costs

1 directly attributable to smoking, according to the Centers for Disease Control and Prevention
2 (CDC) 2014 report, “Best Practices for Comprehensive Tobacco Control Programs.”

3 Cigar smoking is not a safe alternative to cigarette smoking. The U.S. Surgeon General
4 has declared that cigar smoke contains the same toxic substances as cigarette smoke, with
5 varying concentrations of these constituents found in different types and sizes of cigars. In fact,
6 a single large cigar can contain as much tobacco and nicotine as an entire pack of cigarettes.
7 Cigar smoking causes oral cavity cancers (cancers of the lip, tongue, mouth, and throat) and
8 cancers of the larynx, esophagus, and lungs. Cigar smokers are also at an increased risk for heart
9 disease, an aortic aneurysm, and chronic obstructive pulmonary disease.

10 Cigars have fewer federal regulations than cigarettes and other tobacco products. This, as
11 well as their lower taxes, is resulting in increased popularity. While cigarette smoking is
12 declining across the nation, total consumption of all cigars has increased dramatically. Between
13 2006 and 2010, cigar consumption nationally increased by 123%.

14 In Hawaii, current cigar use tripled from 3.2% in 2006 to 10.8% in 2010. Youth cigar
15 use is also increasing. In the 2013 Hawaii Youth Tobacco Survey, 4.9% of public high school
16 students reported currently using cigars and 14% are experimenting with cigars.

17 The CDC cites that research has shown that increasing the unit price of tobacco products
18 is an effective strategy for curbing adult and youth smoking. Conversely, lowering the price of
19 tobacco products encourages increased smoking and discourages quitting.

20 Upon conferring with the Department of Taxation, the DOH also has serious concerns
21 that the replacement of the prevailing date of September 30, 2009 to July 1, 2015 for the excise
22 tax on large cigars, as this could make any change retroactive and cause cigar sellers to apply for
23 reimbursement of previous taxes paid.

24 Thank you for the opportunity to testify.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

LATE

Written Testimony Presented Before the
House Committee on Consumer Protection and Commerce
February 11, 2015 at 2:30 pm

By

Robert Bley-Vroman, Chancellor

and

Jerris Hedges, MD, MS, MMM

Dean, John A. Burns School of Medicine
Interim Director, University of Hawai'i Cancer Center
University of Hawai'i at Mānoa

HB 145 – RELATING TO TAXATION

Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

The University of Hawai'i Cancer Center opposes this bill.

The UH Cancer Center is one of only 68 institutions in the U.S. that hold the prestigious National Cancer Institute (NCI) designation, and is the only NCI-designated center in the Pacific. The NCI designation provides greater access to federal funding and research opportunities. More importantly, it gives the people of Hawai'i and the Pacific region access to innovative and potentially life-saving clinical trials without the necessity of traveling to the mainland.

Health advocates have urged consistent taxation of the various forms of tobacco to avoid attracting consumers, especially youth, to products that are a less expensive substitute to cigarettes. Since the cigarette tax increases were imposed beginning in 2006, there have been steadily decreasing sales, which may indicate that the higher cost to consumers was the disincentive intended.

HB 145 appears to reduce the amount of the tax on large cigars from 50 percent of the wholesale price of each cigar to 50.00 cents, whichever is less. This may result in the unintended consequence of more people turning to cigars in lieu of cigarettes.

The incidence of cancer is increasing significantly and may double during the next twenty years, according to recent estimates by the International Agency for Cancer. Thus, it is vital to the health and wellbeing of our citizens that the amount of the tax on cigars remain high enough to operate as a disincentive to the use of the product.

Thank you for the opportunity to provide testimony on HB 145.



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February 11, 2015

HEARING BEFORE THE
HOUSE COMMITTEE CONSUMER PROTECTION & COMMERCE

TESTIMONY ON HB 145
RELATING TO TAXATION

Room 325
2:30 PM

Aloha Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,932 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFB supports HB 145, which amends the excise tax rate on the sale of large cigars beginning on 7/1/2015 to the lesser of 50 cents for each large cigar or 50 per cent of the wholesale price of each large cigar.

The Hawaii cigar industry shows considerable promise and is a prime example of a value-added niche-market product that can boost the local economy and Hawaii's profile.

Reducing the GET on locally produced product would level the competitive playing field in terms of alternatives that are purchased online and shipped into the state, without the benefit of taxation on those products. Clearly the legislature would see fit to support the locally grown product over the imported variety. Moreover, the Hawaii Cigar Association claims that this change would result in increased tax revenue as a result of increased sales subject to the (reduced) GET.

Please support this growing industry by passing HB145.

Thank you for the opportunity to testify on this measure.



LATE

To: Honorable Representative Angus L. K. McKelvey, Chair, Honorable Representative Justin H. Woodson, Vice Chair
Members, House Committee on Consumer Protection & Commerce

Hrg: Wed., February 11, 2015 at 2:30PM in Rm 325

Re: **Testimony in STRONG OPPOSITION to HB 145**

By: Valerie Chang, JD, Executive Director
Hawaii COPD Coalition, www.hawaiicopd.org
733 Bishop Street, Suite 1550, Honolulu, HI 96813
(808)699-9839
copd.hawaii@yahoo.com

I thank you for this opportunity in STRONG OPPOSITION to HB145, which would change the excise tax rate on large cigars. This topic is very important to our organization, as we help those who suffer the awful ravages of long-term exposure to carbon monoxide and tobacco, those with emphysema and chronic bronchitis. I oppose this measure because it is *setting an awful precedent for our State in reducing taxes for a harmful and dangerous product*. Our State will lose tax revenue and more people will be attracted to cigars, increasing preventable diseases including COPD, cancers, gum disease, and cardiovascular conditions. We urge this committee to DEFER and HOLD this bill and not pass it out of committee.

My name is Valerie Chang. I am Executive Director of the Hawaii COPD Coalition. Our organization provides services and support to Hawaii's people affected by Chronic Obstructive Pulmonary Disease, more commonly known as emphysema and chronic bronchitis. COPD is now the third leading cause of death in the US and second leading cause of disability. Over 46,015 people in Hawaii have already been diagnosed with COPD and it is estimated that at least 46,015 more people may suffer from COPD but remain undiagnosed. Many of these COPD patients were seduced by tobacco when they were very young and unable to quit the addiction for decades, causing irreparable harm. There are over \$55 million in COPD hospital charges in Hawaii each year.

This Consumer Protection and Commerce Committee is well aware of the substantial health risks from cigars. One large cigar can contain as much tobacco as an ENTIRE pack of cigarettes, with all the attendant harm. Cigars are tobacco as well as addictive nicotine, and dangerous to the health of Hawaii's people. Cigar smokers often inhale and absorb nicotine through their lungs as quickly as cigarette smokers. Nicotine is also absorbed in the lining of the mouth for those who inhale as well as those who don't inhale.

Cigars are NOT a safer alternative to cigarettes. As mentioned above, they contain the same cancer-causing substances as cigarettes and other tobacco products, including causing the emission of the deadly poison, carbon monoxide. Cigar smoking increases the risk of cancers, lung and heart disease and many other health problems. Like all other tobacco products, cigars should continue to be subject to appropriately high taxation to reduce the deadly and costly burden of tobacco use. Preferentially taxing large cigars at a cap of only \$.50 apiece (when it should continue to be taxed at its current rates or at rates comparable to cigarettes and other tobacco products), will make the purchase of tobacco in a large cigar MUCH cheaper than cigarettes, unfairly conferring an economic advantage to large cigars, a known cause of cancer and other respiratory and cardiac health problems.

Tobacco and nicotine products are **still** the leading cause of preventable disease. COPD is estimated to cause one in four deaths in Canada, our neighbors to the north. Let us continue to minimize our exposure in Hawaii by keeping taxes of these products appropriately high. Taxes on all tobacco products must be equitable so that nicotine addicts will quit rather than switching to a less expensive option. More smokers quitting means reduced costs to our state in tobacco-related medical expenses.

Thanks for the opportunity to testify about this issue that is so vital to the health of Hawaii and our nation. This issue is very important to our state and our Hawaii COPD Coalition is very glad that this committee has taken a leadership role in addressing this important matter. **Please defer HB145 and do not pass this bill.** Thank you.