



STATE OF HAWAII
DEPARTMENT OF HEALTH
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Testimony in OPPOSITION to SB0401
RELATING TO TAXATION

SENATOR JILL TOKUDA, CHAIR
SENATE COMMITTEE ON WAYS AND MEANS

Hearing Date: March 3, 2015

Room Number: 211

1 **Fiscal Implications:** None.

2 **Department Testimony:** The Department of Health (DOH) opposes SB0401 which proposes to
3 amend §245-3, 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 any cigars 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, 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 shares their 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 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.