

Honolulu, Hawaii

FEB 15 2017

RE: S.B. No. 871

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2017  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 871 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to limit the tax imposed on wholesalers and dealers for each large cigar to the lesser of:

- (1) Fifty cents; or
- (2) Fifty per cent of the wholesale price of the cigar.

Your Committee received testimony in support of this measure from Cigar Association of America, Inc.; Cigar Rights of America, Hawaii; Havana Club Honolulu; Hawaii Cigar Association; Kauai Cigar Company; Mokuleia Cigar Company; and twenty-one individuals.

Your Committee received testimony in opposition to this measure from the Department of Health; American Cancer Society Cancer Action Network; Hawaii COPD Coalition; Hawaii Public Health Institute; and one hundred three individuals.

Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

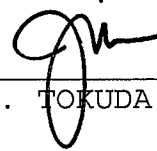
Your Committee finds that the excise tax rate imposed on the sale of large cigars makes it difficult for local producers of cigars to compete with mail-order suppliers that sell cigars in



Hawaii without paying state taxes and whose customers do not file their tax liability under the State's use tax law. Your Committee further finds that this measure addresses this issue by setting a cap on the excise tax imposed on the sale of large cigars, thereby limiting the financial burden caused by the tax.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 871 and recommends that it pass Second Reading and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



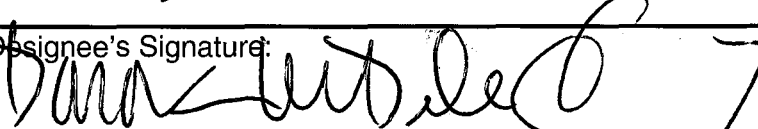
---

JILL N. TOKUDA, Chair



The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 871	WAM	2/7/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood	/			
HARIMOTO, Breene				/
INOUYE, Lorraine R.	/			
KAHELE, Kaiali'i	/			
RIVIERE, Gil		/		
SHIMABUKURO, Maile S.L.	/			
TANIGUCHI, Brian T.		/		
WAKAI, Glenn				/
<b>TOTAL</b>	7	2		2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes