

STAND. COM. REP. NO.

820

Honolulu, Hawaii

MAR 03 2017

RE: S.B. No. 404  
S.D. 2

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. 404, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CHAPTER 245, HAWAII REVISED STATUTES,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the cigarette tax and tobacco tax law.

More specifically, this measure:

- (1) Requires retailers engaged in the retail sale of cigarettes, tobacco products, electronic smoking devices, or e-liquid to obtain a retail tobacco permit;
- (2) Increases the license fee for wholesalers or dealers of cigarettes, tobacco products, electronic smoking devices, and e-liquid;
- (3) Increases the retail tobacco permit fee for retailers of cigarettes, tobacco products, electronic smoking devices, and e-liquid;
- (4) Requires that license and permit fees collected be used to cover administrative expenses, merchant education,



legal signage, and the enforcement of tobacco sales laws; and

- (5) Imposes an excise tax on electronic smoking devices and e-liquid sold by a wholesaler or dealer on and after January 1, 2018.

Your Committee received written comments in support of this measure from the Department of Health, American Heart Association, Hawaii Children's Action Network, Hawaii Public Health Institute, and forty-three individuals.

Your Committee received written comments in opposition to this measure from the Hawaii Smokers Alliance and seventeen individuals.

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

Your Committee finds that chapter 245, Hawaii Revised Statutes, imposes excise taxes on businesses engaged in the sale of cigarettes and tobacco products. Your Committee also finds that the electronic smoking industry is growing rapidly. However, businesses engaged in the sale of electronic smoking devices and e-liquid are not currently taxed under the cigarette tax and tobacco tax law. Your Committee further finds that this measure treats the sale of electronic smoking devices and e-liquid in a manner similar to the sale of cigarettes and tobacco products and will result in better regulation of the electronic smoking industry.

Your Committee has amended this measure by:

- (1) Amending the definition of "retail tobacco permit" to include the sale of electronic smoking devices and e-liquid;
- (2) Deleting provisions requiring that license and permit fees collected under the cigarette tax and tobacco tax law be used for specific purposes; and



- (3) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure.

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. 404, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 404, S.D. 2.

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.:* <b>SB 404, SD1</b>	Committee Referral: <b>CPH, WAM</b>	Date: <b>27 Feb 2017</b>		
<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 type="checkbox"/> Pass, unamended 2312 <input checked="" 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>	<b>8</b>			<b>3</b>
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