

Honolulu, Hawaii

FEB 15 2019

RE: S.B. No. 1405
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred S.B. No. 1405 entitled:

"A BILL FOR AN ACT RELATING TO ELECTRONIC SMOKING PRODUCTS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish the offense of unlawful shipment of e-liquid products;
- (2) Include e-liquid and electronic smoking devices containing e-liquid within the definition of "tobacco products", as used in the cigarette tax and tobacco tax law;
- (3) Increase the license fee for persons engaged as a wholesaler or dealer of cigarettes and tobacco products and the retail tobacco permit fee for retailers engaged in the retail sale of cigarettes and tobacco products;
- (4) Allocate a portion of funds collected from excise taxes on tobacco products to health education and prevention programs about the risks and dangers of the use of electronic smoking devices for youth; and



- (5) Repeal certain provisions of the Hawaii Revised Statutes relating to electronic smoking devices.

Your Committee received testimony in support of this measure from the Department of the Attorney General; Department of Taxation; Department of Health; University of Hawai'i Cancer Center; Hawai'i Primary Care Association; Hawai'i Pacific Health; Ho'omanapono Political Action Committee; We Are One, Inc.; Student Health Advisory Council; Blue Zones Project Hawaii; Coalition for a Tobacco-Free Hawai'i; O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i; American Cancer Society Cancer Action Network; and ninety-five individuals. Your Committee received testimony in opposition to this measure from Black Lava Vape; Retail Merchants of Hawaii; Hawaii Smokers Alliance; VOLCANO Fine Electronic Cigarettes; Irie Hawaii Stores; Hi Lyfe Vaporz, LLC; VapeWithAloha; and twenty-nine individuals. Your Committee received comments on this measure from the Tax Foundation of Hawaii

Your Committee finds that tobacco use is the single most preventable cause of disease, disability, and death in the United States. Your Committee further finds that tobacco products are addictive and inherently dangerous, causing many different types of cancer, heart disease, and other serious illnesses. Your Committee additionally finds that electronic smoking devices are battery-operated products designed to deliver nicotine, flavor, and other chemicals in a compound known as an "e-liquid" into an aerosol that is inhaled by the user. Your Committee also finds that e-liquids are available in a range of strengths and a wide variety of flavors. Your Committee further finds that the use of electronic smoking devices and e-liquid is especially popular among younger smokers, and that the United States Surgeon General has made the unprecedented move of classifying the danger of youth usage of electronic cigarettes as an epidemic. This measure updates regulations on the shipment of electronic smoking devices and e-liquid, ensures that electronic smoking devices and e-liquid products are taxed at a rate similar to other tobacco products, and provides that a portion of the revenues raised from tobacco taxes will be used to mitigate the harmful effects of tobacco use on the public.

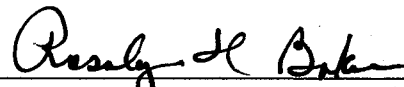
Your Committee has amended this measure by:



- (1) Clarifying that, for the purposes of the offense of unlawful shipment of e-liquid products, "value" means the fair market value at the time of the offense;
- (2) Requiring applicants for a retail tobacco permit to specify whether each place of business sells e-liquid;
- (3) Dividing the allocation of funds collected from excise taxes on tobacco products between the Hawaii tobacco prevention and control trust fund and the University of Hawaii Cancer Center, to support tobacco and cancer prevention research;
- (4) Changing the effective date to January 1, 2020; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1405, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1405, S.D. 1, and be referred to your Committees on Judiciary and Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Health,



ROSALYN H. BAKER, Chair



