

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

ISAAC W. CHOY
DIRECTOR OF TAXATION

To: The Honorable Sean Quinlan, Chair
The Honorable Daniel Holt, Vice Chair
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director
Department of Taxation

Date: Wednesday, February 09, 2022
Time: 10:00 A.M.
Place: Via Video Conference, State Capitol

Re: H.B. 1491, Relating to the Cigarette Tax and Tobacco Tax Law

The Department of Taxation (Department) supports H.B. 1491 and offers the following comments for your consideration.

H.B. 1491 amends chapter 245, Hawaii Revised Statutes (HRS), to repeal all portions related to the “deferred payment purchase” provisions related to purchase of required cigarette tax stamps. Included in these provisions are portions of sections 245-26, 245-27, 245-28, 245-29, and 245-30, HRS. These sections encompass portions related to the availability of deferred payment, maximum amount of deferred payment, time for payment of deferred payment purchases, suspension or reduction of privileges related to deferred payment, and penalties for failure to make timely payments. The measure takes effect on January 1, 2023.

The Department notes that the portion of section 245-26(a)(1), HRS, that is stricken on page 2, lines 1-3, should be maintained in that it provides the department the ability to modify the stamp fee to reflect actual costs incurred by the State in providing the stamps. As such the Department respectfully requests that this language be restored.

The Department believes that the deferred payment purchase of cigarette stamps is no longer necessary and that having the taxpayer pay upon purchase is the most efficient way to administer this program.

Thank you for the opportunity to provide testimony in support this measure.

HB-1491

Submitted on: 2/7/2022 4:27:42 PM

Testimony for ECD on 2/9/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Michael Zehner	Hawaii Smokers Alliance	Oppose	No

Comments:

The Hawaii Smokers Alliance opposes this bill.

Respectfully,

Michael Zehner

co-chair

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TOBACCO, Eliminates Deferred Payment Option for Tax Stamps

BILL NUMBER: SB 2376, HB 1491

INTRODUCED BY: SB by MORIWAKI, Keith-Agaran, Shimabukuro; HB by YAMASHITA

EXECUTIVE SUMMARY: Repeals and eliminates the deferred payment purchase option for cigarette tax stamps. Requires licensees to pay for stamps at the time of purchase using cash, certified check, or bank transfer.

SYNOPSIS: Amends section 245-26, HRS, to provide that payment for stamps shall be made at the time of purchase by cash, certified check, or bank transfer.

Repeals sections 245-27 to 245-30, HRS.

EFFECTIVE DATE: January 1, 2023

STAFF COMMENTS: We are unsure of the need for this bill and will reserve comment until we have the chance to review other testimony.

Digested: 2/2/2022

LATE

HB-1491

Submitted on: 2/8/2022 5:08:14 PM
Testimony for ECD on 2/9/2022 10:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Jessica Chang	Individual	Oppose	No

Comments:

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