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To: The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair;
and Members of the House Committee on Finance

From: Isaac W. Choy, Director
Department of Taxation

Date: February 25, 2021
Time: 1:00 P.M.
Place: Via Video Conference, State Capitol

Re: H.B. 476, H.D. 2, Relating to Taxation

The Department of Taxation (Department) offers the following comments on H.B. 476, H.D. 2, for your consideration.

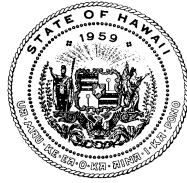
H.B. 476, H.D. 2, creates a 50% tax on modified risk tobacco products, and also subjects e-liquid cartridges and e-liquid to the tobacco tax under chapter 245, Hawaii Revised Statutes (HRS). It makes several related amendments such as amending the title of chapter 245, HRS, requiring wholesalers and retailers of e-liquid cartridges and e-liquid to obtain licenses and permits to operate, amending definitions, and making conforming amendments to other parts of the tax law to treat e-liquid cartridges and e-liquid like cigarettes and tobacco products. The measure has a defective effective date of July 1, 2060.

First, the Department notes the new tax for modified risk tobacco products may inadvertently tax those products twice. It is the Department's understanding that modified risk tobacco products are considered less harmful than other tobacco products and that the intent of this new section is to create a reduced tax liability for these less harmful products. As written, however, the new section imposes a 50% tax in addition to the existing 70% tax on tobacco products. If it is the Legislature's intent to impose the 50% tax in lieu of the 70% tax instead, this section should be amended to clarify that.

Second, on page 35, the Department recommends the amendments to section 245-31, HRS, be changed to instead delete section 245-31, HRS, entirely. That section creates a reporting requirement redundant with the Department's authority to already collect this information on the return under section 245-5, HRS.

Finally, the Department respectfully requests that the effective date of the new taxes imposed be made no earlier than January 1, 2022. This will allow sufficient time to make the form, instruction, and computer system changes required by this measure.

Thank you for the opportunity to provide comments on this measure.



STATE OF HAWAII
DEPARTMENT OF HEALTH
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**Testimony in SUPPORT of H.B. 476, H.D. 2
RELATING TO TAXATION**

REPRESENTATIVE SYLVIA LUKE, CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date: 2/25/2021

Room Number: Videoconference

1 **Fiscal Implications:** The Department of Health (DOH) defers to the Department of Taxation
2 (DOTAX) for fiscal implications of implementation and to the Department of the Attorney
3 General (AG) for fiscal implications for enforcement.

4 **Department Testimony:** The DOH supports, and offers amendments to, House Bill 476, House
5 Draft 2 (H.B. 476, H.D. 2) as a public health measure to address Hawaii's youth vaping
6 epidemic. This measure establishes new taxes for some e-liquid products and amends relevant
7 sections to reference these new definitions. H.B. 476, H.D. 2 extends permitting requirements to
8 include taxed e-liquids and classifies failures to obtain a permit as a petty misdemeanor. H.B.
9 476, H.D. 2 also addresses record keeping of taxed e-liquids, delivery sales, directs the DOTAX
10 to adopt rules related to products shipped out of the State, and specifies that the tax for modified
11 risk tobacco products pertains to wholesalers. The DOH offers recommendations on
12 amendments for parity and consistency.

13 Electronic smoking devices (ESDs), also known as e-cigarettes, have become the most
14 commonly used tobacco products among youth in the United States and in Hawaii. The 2019
15 Youth Risk Behavior Survey reported that cigarette smoking among Hawaii high school students
16 decreased to 5.3%, a 73.5% reduction from 20% in 2000. At the same time, youth ESD use has
17 continued to rise. High school youth experimentation with ESDs grew from 22% in 2015 to

1 48% in 2019. In 2015, over one in four (26%) high school students reported being current users,
2 and today it is almost one in three (31%).¹

3 In Hawaii, ESDs are not taxed like other tobacco products and often can be purchased at
4 lower prices than cigarettes. According to the U.S. Surgeon General, increasing the price of
5 tobacco products is the single most effective way to reduce consumption.² Data from the
6 University of Illinois report that increasing the price of ESDs by 10% has been shown to lead to
7 a 10% to 18% reduction in the demand and consumption of ESDs – a higher price elasticity
8 compared to combustible cigarettes. Increasing the price of tobacco products has the greatest
9 impact on youth, who are particularly price sensitive.³ The DOH recommends the imposition of
10 an excise tax equal to 70% of the wholesale price of each e-liquid and ESD to be consistent with
11 the tax on other tobacco products. Achieving tax parity for all tobacco products will protect
12 against price disparities and the resultant migration from one product to another in the event that
13 some products are significantly more affordable.

14 In the fall of 2019, the U.S. Food and Drug Administration (FDA) granted modified risk
15 orders to eight smokeless tobacco products for the first time ever.⁴ The current amendment to
16 tax modified risk tobacco products (MRTP) at a rate that is lower than 70% is premature. Given
17 the newness of these products on the market and their current inaccessibility in Hawaii, creating
18 a tax structure lower than other tobacco products is without merit. More research is needed to
19 determine the best taxation strategy for any emerging product. The DOH offers an amendment
20 recommending this section be deleted.

¹ National Youth Risk Behavior Survey, Hawaii and the United States (2019).

² U.S. Department of Health and Human Services. [Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General](#). Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2012 [accessed 2018 Jan 22].

³ Chaloupka, F. Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products, 1 Nicotine & Tobacco Research S105 (Supp. 1 1999).

⁴ Commissioner, O. of the. (2020, March 24). *FDA grants first-ever modified risk orders to eight smokeless tobacco products*. FDA; FDA. <https://www.fda.gov/news-events/press-announcements/fda-grants-first-ever-modified-risk-orders-eight-smokeless-tobacco-products>

1 The DOH supports H.B. 476, H.D. 2 as a means to address the youth vaping epidemic
2 and offers recommended amendments to use standardized definitions to achieve tax parity with
3 other tobacco products and consistency with other tobacco control laws.

4 Thank you for the opportunity to testify on this measure.

5 **Offered Amendments:**

6 Delete page 1, line 1 through line 16.

7 Delete page 10, line 8 through page 11, line 2 and insert the following three definitions:

8 "E-liquid" means any liquid or like substance, which may or may not contain nicotine, that is
9 designed or intended to be used in an electronic smoking device, whether or not packaged in a
10 cartridge or other container. E-liquid shall not include prescription drugs; medical cannabis or
11 manufactured cannabis products pursuant to chapter 329D; or medical devices used to
12 aerosolize, inhale, or ingest prescription drugs, including manufactured cannabis products
13 manufactured or distributed in accordance with section 329D—10(a)"

14 ""Tobacco products" means [~~tobacco~~]: (1) Tobacco in any form, other than cigarettes or little
15 cigars [~~that is prepared or intended for consumption or for personal use by humans, including~~
16 large cigars and any substitutes thereof other than cigarettes that bear the semblance thereof,
17 snuff, chewing or smokeless tobacco, and smoking or pipe tobacco.] that is intended for human
18 consumption, or is likely to be consumed whether smoked, heated, chewed, absorbed, dissolved,
19 inhaled, or ingested by other means; (2) E—liquid; or (3) Electronic smoking device. Tobacco
20 products includes but is not limited to large cigars and any substitutes thereof other than
21 cigarettes that bear the semblance thereof, pipe tobacco, chewing or smokeless tobacco, snuff,
22 snus, e—liquid, electronic smoking device, any cartridge or other component part of the device
23 or product, and related products."

24 "Smoke" or "smoking" means inhaling, exhaling, burning, carrying, or possessing any lighted or
25 heated tobacco product, or similar substance intended for human consumption, including the use
26 of an electronic smoking device that creates an aerosol or vapor, in any manner or in any form."

1 Delete page 28, line 1 through page 11 and insert the following:

2 (14) An excise tax equal to seventy per cent for each e-liquid cartridge sold, used, or possessed
3 by a wholesaler or dealer on and after July 1, 2021, whether or not sold at wholesale, or if not
4 sold then at the same rate upon the use by the wholesaler or dealer; and

5 (15) An excise tax equal to seventy per cent of the wholesale price of open system e-liquid sold,
6 used, or possessed by a wholesaler or dealer on and after July 1, 2021, whether or not sold at
7 wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer.



American
Heart
Association.

American Heart Association comments for HB476, HD 2
"Relating to Taxation" with suggested amendments

The American Heart Association supports the intent of HB476, HD 2 but recommends amendments.

Chairman of the Board

Glen Kaneshige

President

Michael Lui, MD

Board Members

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Brandt Farias

Jason Fujita

Mimi Harris

Zia Khan, MD

Brandon Kurisu

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Michael Rembis, FACHE

Andrew S. Rosen

Timothy Slottow

Jennifer Walker

The American Heart Association supports taxing electronic smoking devices but feels that the tax should create parity with the taxes already applied to traditional cigarettes and other tobacco products. The taxes proposed under HB476, HD2 fall well below a level of parity. **The Association recommends that an excise tax be set at 70 percent of the wholesale price of the gross proceeds from the retail sale of each electronic smoking device sold.** Without parity with other tobacco products, electronic smoking devices would remain more attractive to Hawaii youths.

We also recommend that all electronic smoking devices, including modified risk tobacco products, and their components should be subject to the tobacco tax. All tobacco products pose a harm to health and creating an unbalanced tax on some products over others only serves to incentive the lower priced, or untaxed, products as entry level-products to be promoted by the tobacco industry to unwitting, price-sensitive, and industry marketing-vulnerable youths.

In addition, the definitions in HB476, HD 2 for electronic smoking devices are too narrow and leave possible gaps that would allow newer devices untaxed. In fact, the proposed definitions may not cover all current e-cigarettes. It is unclear where disposable e-cigs would fall - as "e-liquid cartridge," "open system e-liquid," or as devices? Disposable e-cigarettes are in pre-filled and sealed disposable containers, but they are not "used with an electronic smoking device" because they are devices already containing e-liquid. The word "can" in the "e-liquid cartridge" definition may cause confusion and may not be sufficient to ensure disposables are included. So, it is possible that disposables would then be considered "electronic smoking devices," and since the proposed tax specifically only applies to "e-liquid cartridges" and "open system e-liquid" but not devices, disposables wouldn't be taxed at all. This is a major concern because disposables have grown in popularity with youth, and this possible loophole needs to be eliminated so that those and any new electronic smoking devices that come onto the market in the future would be subject to the tax. **The American Heart Association recommends that the definitions be amended to include "e-liquid, electronic smoking devices containing e-liquid, and components or parts containing e-liquid."**

Mahalo for opportunity to recommend amendments to HB476, HD 2 to begin reducing Hawaii's youth electronic cigarette epidemic.

Respectfully submitted,

Don Weisman

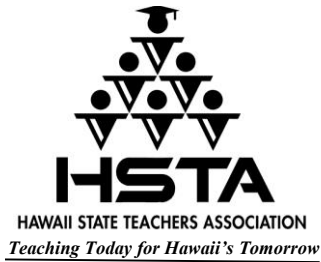
Government Relations/Communications Director

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Our Mission:

"To be a relentless force for a world of longer, healthier lives."

For more information on the AHA's educational or research programs, visit www.heart.org or contact your nearest AHA office.



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Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE

RE: HB 476, HD2 - RELATING TO TAXATION

THURSDAY, FEBRUARY 25, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Luke and Members of the Committee:

The Hawaii State Teachers Association **supports HB 476, HD2**, relating to taxation, **with suggested amendments**. This bill establishes taxation of e-liquids used in electronic smoking devices. Requires wholesalers and dealers to be licensed. Requires retailers to obtain permits.

We are concerned that the definitions in this bill for "e-liquid cartridge" and "open system e-liquid" may not capture the disposable e-cigarettes that are popular with youth. Instead, we recommend amending the language by using the broader definition of electronic smoking devices to avoid potential loopholes.

We also recommend amending this bill to create policy parity between electronic smoking devices and other tobacco products through the Other Tobacco Product (OTP) tax, which is 70% of the wholesale price.

Taxing tobacco products and cigarettes is a proven strategy to reduce youth initiation and encourage those who smoke or use tobacco products to quit. Licensing and permitting of retailers and wholesalers are critical for education and enforcement of existing laws.

The use of e-smoking products among youth is at epidemic levels. According to data from the Centers for Disease Control and Prevention and the Food and Drug Administration's National Youth Tobacco Survey, **the percentage of high school-age children reporting past 30-day use of e-cigarettes rose by more than 75 percent between 2017 and 2018. Use among middle school-age children also increased nearly 50 percent.** Furthermore, 1 in 5 high school students reported using e-cigarettes in the past month according to the Surgeon General. **Locally,**

Hawaii's 2017 Youth Risk Behavior Survey revealed that over 42% of Hawaii high school students have tried using electronic smoking devices and over 25% of Hawaii high school students indicated that they are regular users. Our schools are seeing a rise in cases of e-cig use even in our elementary schools now.

Adolescence is a time of crucial brain development; it has been documented that nicotine exposure during adolescence and young adulthood can cause addiction and harm the developing brain. Additionally, nicotine is not the only harmful ingredient in electronic smoking devices; other harmful and potentially harmful ingredients include ultrafine particles that can be inhaled deep into the lungs, flavorants such as diacetyl, a chemical linked to serious lung disease, volatile organic compounds, and heavy metals such as nickel, tin, and lead.

The electronic cigarette industry has gone largely unregulated for far too long and has therefore been able to market their products both directly and indirectly to our youth. It is time that regulation of the e-cigarette industry be on par with the regulation of traditional tobacco products. As such, we should align taxation of electronic smoking device products to that of other tobacco products. Because taxation of tobacco products is a proven strategy to reduce usage among youth, this bill would help deter children from not only trying e-cigarettes but also from becoming habitual users of these products.

Furthermore, the allocation of a portion of excise tax funds to go towards health education, prevention, and nicotine cessation programs extends protections for our youth and goes hand in hand with the regulations outlined in this bill as well as a portion of the collections going to our state's general fund to shore up our lost revenue as a state.

Because research shows that increasing the cost of tobacco products, through taxes, decreases the amount used by youth. The price point does matter. We respectfully ask you to **support** this bill.



**TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 25, 2021**

Re: HB 476 HD2 Relating to Taxation

Good afternoon Chair Luke and members of the House Committee on Finance. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains, and everyone in between.

We **OPPOSE HB 476 HD2** Relating to Taxation. This measure imposes a fifty per cent excise tax on the wholesale price of every wholesaler for each modified risk tobacco product sold, used, or possessed by a wholesaler; defines modified risk tobacco product; establishes taxation of e-liquids used in electronic smoking devices; requires wholesalers and dealers to be licensed; requires retailers of tobacco and e-liquids to obtain permits; and is effective 7/1/2060.

It is not fair to categorize vapor products and e-liquids as a tobacco product. They are not the same. Many E-liquids contain NO tobacco or nicotine, and NO smoke is emitted from Electronic Smoking Devices. The New England Journal of Medicine published an article last year that found that e-cigarettes were nearly twice as effective as conventional nicotine replacement products, like patches and gum, for quitting smoking. The study was conducted in Britain and funded by the National Institute for Health Research and Cancer Research UK.

Many retailers statewide are already operating on a thin margin and face stiff competition. Taking on a “tobacco tax” and permit fee will truly hurt locally owned businesses, especially the small locally owned businesses’.

The retail industry has been one of the hardest hit during the pandemic. Since the pandemic, those retailers who were deemed non-essential were forced to close their businesses for months due to government orders. Those on Oahu were forced to close their businesses a second time with no income from online sales unless they were fulfilling the orders from home. Retailers have also had to endure an almost 50% rate increase in interisland shipping. Many stores who rely directly on the visitors are not opening until the customer base returns – if they can hold on that long. They have also reduced their staff, taken pay-cuts and more to survive. The 3rd Commercial Lease Rent survey from data collected between December 1 and 31, 2020 revealed:

- One in 10 Hawaii businesses permanently closed over the course of the pandemic, and 67 percent were impacted significantly by government restrictions.
- From April through December 2020, 50 percent of businesses did not pay their rent in full.
- Three in 10 businesses expected to miss three full rent payments between October and December 2020, and more than half expected to miss at least one full rent payment between January and June 2021.
- Tourism accounts for at least one-quarter of the overall revenue of 37 percent of Hawaii businesses.
- 86 percent of businesses saw their annual revenue decrease in 2020, and 82 percent expect a decrease in 2021 as well.

Retailers like many businesses are struggling to survive and keep their employees employed. Many cannot afford an increase in doing business. We urge you to hold this measure. Mahalo for this opportunity to testify.

HB-476-HD-2

Submitted on: 2/23/2021 8:38:14 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
sean nakayama	Namaste Vapors	Oppose	No

Comments:

I'm a small business owner who sells vape juice and vape products on Kauai, My business is Namaste Vapors. This bill will destroy my business and affect my family. Hundreds of my customers will end up smoking again. On Kauai the drug problem is high. and former addicts use e-cigarettes as a means of taming there carvings. Please consider the ramifications of non-smokers getting back into smoking cigarettes and residents of Kauai who is trying very hard to kick ice/meth addiction. Cigarettes, Marijuana and crystal Meth will become a cheaper option for their addiction. Alot of my customers eventually stop vaping all together because they find it easy to stop while vaping.

Mahalo

Sean Nakayama (Namaste Vapors)

3501 Rice St #2025 Lihue Hi, 96766

HB-476-HD-2

Submitted on: 2/23/2021 9:23:18 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Zehner	Hawaii Smokers Alliance	Oppose	No

Comments:

We are opposed to this bill because it is harmful to business and to civil liberties. Bills such as hb476 are purely special interest in nature and don't reflect the needs of normal citizens. Furthermore this needless tax will only cause a drop in sales because of the internet.



American Cancer Society
Cancer Action Network
2370 Nu'uau Avenue
Honolulu, HI 96817
808.432.9139
www.fightcancer.org

House Committee on Finance
Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

Hearing Date: Thursday, February 25, 2021

HB476 HD2 – RELATING TO TAXATION.

Cynthia Au, Interim Government Relations Director – Hawaii Pacific
American Cancer Society Cancer Action Network

Thank you for the opportunity to COMMENT and suggest amendments to HB476 HD2 – RELATING TO TAXATION which would establish taxation of e-liquids used in electronic smoking devices, requires wholesalers and dealers to be licensed and requires retailers of tobacco and e-liquids to obtain permits.

The American Cancer Society Cancer Action Network (ACS CAN), the nonprofit, non-partisan advocacy affiliate of the American Cancer Society advocates for public policies that reduce death and suffering from cancer. ACS CAN works with federal, state, and local government bodies to support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem.

ACS CAN supports regular and significant tax increases on all tobacco products, including e-cigarettes, to reduce tobacco use and recommends defining e-cigarettes as a tobacco product and regulating them as such. To maximize health and revenue gains, simplify tax collections, and make many dangerous and addictive products that are attractive to kids cost prohibitive, ACS CAN recommends taxing all e-cigarettes as a tobacco product at a percent of their price parallel to the cigarette tax rate. For Hawaii, this means taxing all e-cigarette products at 70% of their wholesale price. ACS CAN opposes a two-tier tax system for e-cigarettes, or any efforts to tax them at any taxation methods other than a percent of price.

Currently in Hawaii, e-cigarettes are not included in tobacco excise taxes making them an appealing alternative for price-sensitive consumers including youth. Increasing tobacco taxes is one of the best ways to reduce tobacco use. It is important that tax increases apply to all tobacco products at an equivalent rate to encourage people to quit rather than switch to a cheaper product as well as to prevent youth from starting to use any tobacco product. If all tobacco products are not taxed at an equivalent rate, Hawaii can expect to see diminished positive outcomes for both revenue and public health. **ACS CAN recommends that all e-cigarette products, including both the liquid and the devices, are taxed at 70% of their wholesale price, in line with other tobacco products (OTP).** To prevent consumers from switching

to lower-taxed, lower-cost products, we recommend to increase the tax on cigarettes by at least \$1 per pack and tax all OTP including e-cigarettes at a rate parallel to the new cigarette tax.

ACS CAN has serious concerns on the tax reductions on “modified risk” products. Increasing tobacco taxes is one of the most effective ways to reduce tobacco use, especially among kids, and tobacco companies know it. Lowering the tax, and therefore the price of tobacco products is one major way for the tobacco industry to protect their bottom line, addict people with cheap products, and keep them addicted.

- Any action at the state or local level to regulate so-called modified risk tobacco products differently from cigarettes and other tobacco products (OTPs) is premature.
- Modified risk does not mean “safe.” All tobacco products have health harms.
- Lowering taxes on any tobacco product reduces state tax revenue.
- States should not change state tobacco control laws to accommodate any new product marketing claims.

Proceeds collected should go toward tobacco prevention and cessation for all tobacco products, including e-cigarettes, according to Centers for Disease Control and Prevention’s (CDC) best practices. CDC’s evidence-based recommendations for a comprehensive tobacco control program provides states with the needed framework to educate people on the dangers of tobacco use as well as connect people who are already addicted to tobacco to resources to help them quit. Comprehensive tobacco control programs establish smoke-free policies and social norms, promote tobacco cessation and support those trying to quit, prevent initiation of tobacco use among prospective new users including youth and reduce tobacco-related health disparities among disparate populations.¹ When appropriately funded in accordance with CDC recommendations, comprehensive tobacco control programs are able to reduce tobacco use.²

Finally, we have serious concerns in the creation of new categories of products, as some products may be exempt from various tobacco control laws, and as it is defined in the bill may not capture all products. We recommend that the bill be amended to add “electronic smoking devices” to the definition of “tobacco products” for the purpose of licensing and permitting and for tax parity. Further, we do not recommend defining “e-liquid” separately from electronic smoking devices. Here are our recommended definitions:

“Electronic smoking device” means any device that can be used to deliver aerosolized or vaporized nicotine to the person inhaling from the device, including, but not limited to, an e-cigarette, e-cigar, e-pipe, vape pen or e-hookah. Electronic smoking device includes any component, part, or accessory of such a device, whether or not sold separately, and includes any substance intended to be aerosolized or vaporized during the use of the device. Electronic smoking device does not include any battery or battery charger when sold separately. In addition, electronic smoking device does not include drugs, devices, or combination products authorized for sale by the U.S. Food and Drug Administration, as those terms are defined in the Federal Food, Drug and Cosmetic Act.

“Tobacco product” means any product that is made from or derived from tobacco, or that contains nicotine, other than cigarettes or little cigars, that is intended for human consumption or is likely to be consumed, whether smoked, heated, chewed, absorbed, dissolved, inhaled or ingested by any other means, including, but not limited to, a cigarette, a cigar, pipe tobacco, chewing tobacco, snuff, or snus. “Tobacco product” also means electronic smoking devices and any component or

¹ CDC, 2014.

² CDC, 2014.

accessory used in the consumption of a tobacco product, such as filters, rolling papers, pipes, and substances used in electronic smoking devices, whether or not they contain nicotine. "Tobacco product" does not include drugs, devices, or combination products authorized for sale by the U.S. Food and Drug Administration, as those terms are defined in the Federal Food, Drug and Cosmetic Act.

Smoking has a monetary cost placed on the State of Hawaii. The annual health care costs in Hawaii directly caused by smoking is \$526 million. Medicaid costs caused by smoking in Hawaii is \$141.7 million annually. Residents' state & federal tax burden from smoking-caused government expenditures is \$835 per household. Smoking-caused productivity losses in Hawaii is \$387.3 million. These amounts do not include health costs caused by exposure to secondhand smoke, smoking-caused fires, smokeless tobacco use, or cigar and pipe smoking. Proportion of cancer deaths in Hawaii attributable to smoking is 24.6%.³

Thank you for the opportunity to comment on this matter and your consideration in adding life-saving recommendations to the bill.

³ ACS, State-Specific Smoking-Related Cancer Cases and Deaths, 2017 Updated December 3, 2020
<https://www.fightcancer.org/sites/default/files/State-Specific%20Smoking-Attributable%20Cancer%20Cases%20and%20Deaths%20Factsheet%20FINAL%2012.11.20.pdf>

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TOBACCO, GENERAL EXCISE, USE, Include electronic smoking devices

BILL NUMBER: HB 476; HD2

INTRODUCED BY: House Committee on Consumer Protection & Commerce

EXECUTIVE SUMMARY: Imposes a fifty per cent tax on products with a modified risk tobacco product order issued by the Secretary of the United States Department of Health and Human Services. Establishes taxation of e-liquids used in electronic smoking devices. Requires wholesalers and dealers to be licensed. Requires retailers of tobacco and e-liquids to obtain permits. Effective 7/1/2060.

SYNOPSIS: Adds a new section to chapter 245, HRS, to establish a 50% tax on any product for which a modified risk tobacco product order has been issued by the U.S. Department of Health and Human Services under 21 U.S.C. section 387k(g).

Retitles chapter 245, HRS, as the Cigarette Tax, Tobacco Tax, and E-Liquid Tax Law.

Amends section 245-1, HRS, by adding definitions for E-liquid, E-liquid cartridge, electronic smoking device, open system e-liquid, and unit of open system e-liquid.

Makes various changes in chapter 245, HRS, to make the tobacco tax provisions apply to E-liquid as well.

Amends section 245-3, HRS, to impose tax of 25 cents per e-liquid cartridge sold, used, or possessed by a wholesaler or dealer; and to impose tax of 15% of the wholesale price of each unit of open system e-liquid sold, used, or possessed by a wholesaler or dealer.

Makes technical and conforming amendments to sections 237-24, 237-25, and 238-3. HRS, as well as to numerous sections within chapter 245, HRS.

EFFECTIVE DATE: 7/1/2060.

STAFF COMMENTS: The question that should be asked is the purpose of the tobacco tax. If the goal is to make people stop smoking by making it cost-prohibitive to smoke, then (a) it's working, as hikes in the cigarette tax have begun to exert downward pressure on collections not only locally but also nationally, but (b) it shouldn't be expected to raise revenue, because of (a). If the goal is really to stop the behavior, why are we not banning it?

As the Foundation's previous President, Lowell Kalapa, wrote in the Tax Foundation of Hawaii's weekly commentary on October 28, 2012:

Lawmakers seem to have a simplistic reaction to solving problems the solution to which plagues their constituents – tax it.

Probably the best example is what people like to call sin taxes, those excise taxes that are levied on tobacco and alcohol products. After all, smoking causes cancer and alcohol causes all sorts of problems including driving under the influence. Lawmakers and community advocates shake their heads and push for higher tax rates, arguing that making these products more expensive will deter folks from using these products.

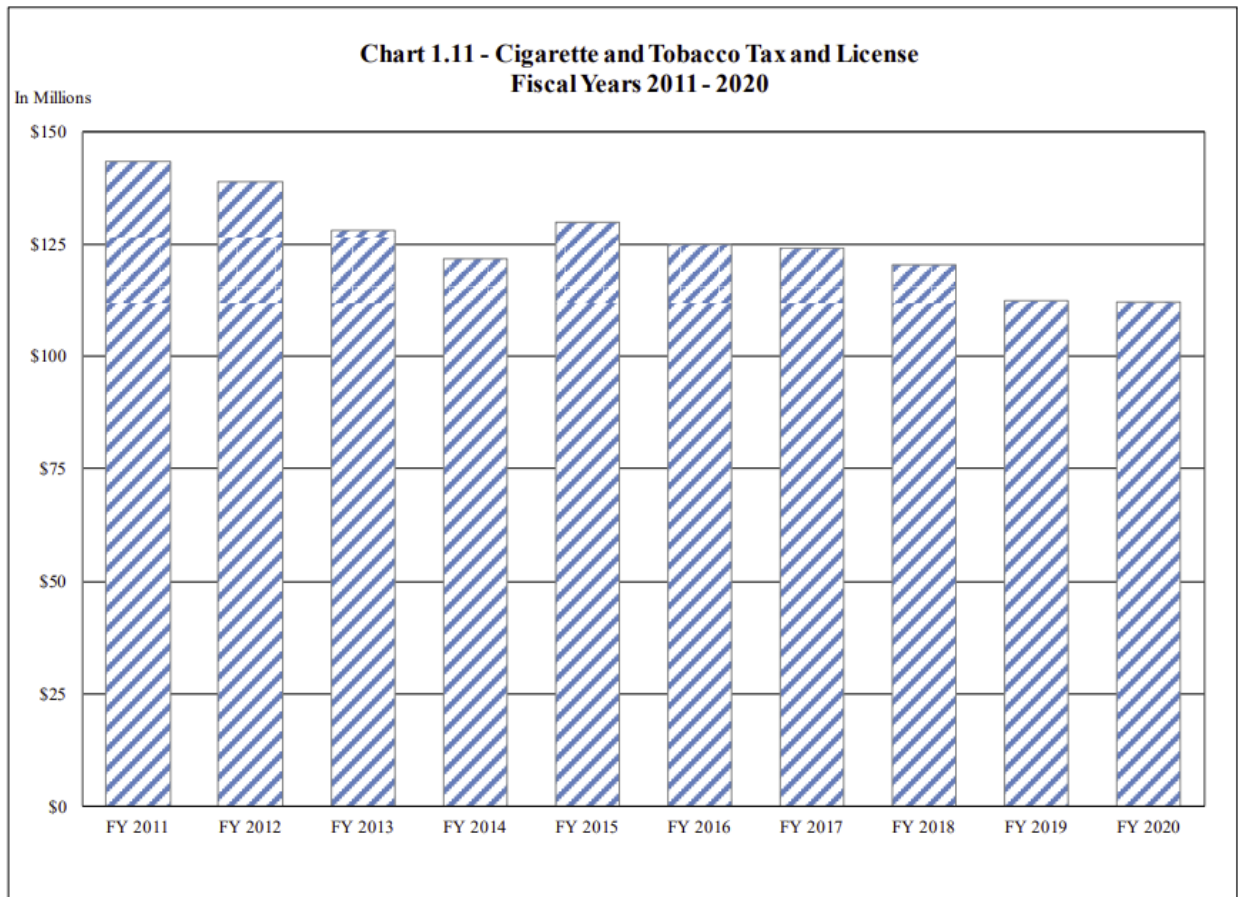
The problem is that lawmakers also like the revenues that are generated from the sales of these products and, in some cases, they have tried to link the use and sale of these products with noble causes such as the funding of the Cancer Research Center that is currently being built. Again, the argument is that smokers should pay for programs and projects which seek to cure the related ill which in this case is cancer caused by smoking.

The irony is that arguments to increase the tax on tobacco and, more specifically, cigarettes, is a goal of getting smokers to quit while depending on the revenues from tobacco and cigarette taxes to fund an ongoing program, in this case the Cancer Research Center. So, which is it folks, stop smokers from smoking and if successful, there won't be any revenues to fund the Cancer Research Center?

The fact of the matter is that it appears that both locally and nationally, higher taxes on cigarettes are influencing smokers as tax collections on the sale of cigarettes have fallen. Certainly some of the decline is due to smokers actually quitting, but to some degree one has to suspect that some purchases were made via mail order from exempt Indian reservation outlets while others may be what is called gray market purchases, that is from sources outside the country.

What should come as a surprise is that most of the folks who have quit are of some means as they are more likely to recognize the health hazard caused by use of this product. That means most of those who are still smoking are among the lower-income members of our community. Thus, the tax is regressive, generating less and less collections from middle and higher-income individuals.

As predicted, programs that have been fed by earmarks from the tobacco tax, like the Cancer Research Center, have become a victim of the success of tobacco cessation programs and publicity. Revenues produced by the tobacco tax have been in steady decline over the past few years despite tax rate increases, and hoisting the smoking age to 21 in the 2015 session certainly didn't reverse the trend.



Source: Department of Taxation Annual Report (2019-2020), page 23.

Fiscal reliance on funds from a sin tax is inadvisable, perhaps outright dangerous. If the goal is to affect social behavior, use of the tax law is not the most effective way to do so.

Digested 2/23/2021



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Date: February 24, 2021

To: Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
Members of the Finance Committee

Re: Comments to HB 476, HD2, Relating to Taxation

Hrg: February 25, 2021 at 1:00 PM via Videoconference

The Coalition for a Tobacco-Free Hawai'i, a program of the Hawai'i Public Health Instituteⁱ **offers comments HB 476, HD2** with recommendations. HB 476 establishes a tax on e-liquids used in electronic smoking devices and modified risk tobacco products, creates new definitions for e-liquids, e-liquid cartridges, electronic smoking devices, open system e-liquids, and units of open system e-liquid, requires wholesalers and dealers to be licensed, and retailers to obtain permits.

The Coalition supports the intent of HB 476; however, this bill falls short of achieving tax parity for e-cigarettes, and creates new, narrow definitions for tobacco products that could lead to tax loopholes for future products. The Coalition respectfully offers the following **recommendations**:

The Coalition prefers the original language used in HB 598, which:

- (1) Includes e-liquid and electronic smoking devices within the definition of "tobacco products" as used in the cigarette tax and tobacco tax law;
- (2) Establishes a tax at the same rate as other tobacco products, 70% of other tobacco products;
- (3) Requires electronic smoking device wholesalers obtain a tobacco license and retailers obtain a tobacco permit.
- (4) Restricts the shipment of tobacco products to tobacco licensees only.

The Coalition is especially concerned with the creation of a new, lower tax for modified risk tobacco products. The FDA has cautioned that the modified risk designation does not mean that these products are safe or "FDA-approved," and all tobacco products are potentially harmful. Fewer than 15 products have been granted this status,ⁱⁱ and most are not available within the state^{iii,iv}.

The Coalition also notes that at least one modified risk tobacco product, Phillip Morris' IQOS, was approved against the advice of the Tobacco Product Scientific Advisory Committee (TPSAC). TPSAC's purpose is to review and evaluate the safety and health issues relating to tobacco products based on scientific evidence, and its duties include making recommendations on modified risk tobacco products^v. A majority of TPSAC members did not believe IQOS was likely to make a substantial reduction in morbidity and/or mortality, did not find it likely that smokers would switch completely to IQOS, and determined that consumers wouldn't be able to understand the risks of IQOS as conveyed through modified risk labeling and advertising^{vi}.

These findings undermine the safety and public trust in the FDA's process of approving modified risk tobacco products. It is clear that these products have health risks, and the modified risk designation makes it difficult for consumers to understand the true risks of using these products. As such, we find it premature for the state to regulate modified risk tobacco products differently from cigarettes and other tobacco products.

E-cigarette use among youth and young adults has become a public health concern.

In 2019, 1 in 3 (30.6%) public high school students and more than 1 in 6 (18%) public middle school students in Hawai'i reported that they are regularly vaping^{vii}. Because ESDs remain unregulated, e-cigarette companies have aggressively marketed their products by glamorizing their use, using celebrities and young adults as endorsers, and making false health claims. E-cigarettes often contain nicotine, which is addictive and harmful particularly to adolescents, whose brains are still developing. A 2016 report by the Surgeon General concluded that cigarettes are dangerous and a health threat to youth and young adults^{viii}. According to an article published by Dr. Jackler and Dr. Ramamurthi, "JUUL has triggered a widespread rush among aerosol purveyors to market e-liquid in unprecedentedly high nicotine concentrations^{ix}."

Electronic smoking devices (ESDs) are the only tobacco product without a tobacco tax.

In 2016, the FDA deemed e-cigarettes, including its components and parts as tobacco products. In a poll^x conducted by Ward Research Inc. for the Coalition in October 2020, 91% of registered Hawai'i voters were in support of taxing e-cigarettes at the same rate as cigarettes or other tobacco products. Because ESDs are not subject to current State tobacco tax laws, they are seen as lower-priced tobacco alternatives with virtually no restrictions that can be appealing to the youth. A local retailer is selling 30mL of e-liquid, some with strengths up to 50 mg of nicotine per mL, for as little as \$2.99^{xi}. Some companies have starter kits for \$0.99. Raising taxes and increasing the price of tobacco products is a proven strategy to reduce consumption for both adults and youth.

In May 2020, Stanford University published a landmark study^{xii} that found teens and young adults that use e-cigarettes had a five to seven times greater chance of being diagnosed with COVID-19 than those that did not use e-cigarettes. Considering the 2019 YRBS results that documented an increase in youth e-cigarette use, this finding is incredibly concerning. To put this into perspective, there are 52,042 high school students enrolled in Hawai'i public schools. Using the most recent YRBS data, that translates to nearly 16,000 Hawai'i high schoolers that used an e-cigarette in the last 30 days, and may be five to seven times more likely to be diagnosed with COVID-19 than their nonsmoking peers. Global pandemic or not, these numbers are unacceptable, and there is an increased urgency for regulatory action in light of the increased risk of COVID-19. With no end in sight for the COVID-19 crisis, it is imperative that Hawai'i passes comprehensive legislation regulating e-cigarettes to curb usage and protect the health of our keiki.

The former Surgeon General, VADM Jerome Adams issued an advisory in December 2018 “emphasizing the importance of protecting our children from a lifetime of nicotine addiction and associated health risks by immediately addressing the epidemic of youth e-cigarette use. The recent surge in e-cigarette use among youth, which has been fueled by new types of e-cigarettes that have recently entered the market, is a cause for great concern. We must take action now to protect the health of our nation’s young people^{xiii}.” Hawai’i has made enormous progress on tobacco control and we ask the legislature to take the necessary steps to reverse our youth vaping epidemic in order to save our youth from a lifetime of addiction.

Thank you for the opportunity to testify.

Mahalo,



Jessica Yamauchi, MA
Executive Director

ⁱ The Coalition for a Tobacco-Free Hawai’i (Coalition) is a program of the Hawai’i Public Health Institute (HIPHI) that is dedicated to reducing tobacco use through education, policy, and advocacy. With more than two decades of history in Hawai’i, the Coalition has led several campaigns on enacting smoke-free environments, including being the first state in the nation to prohibit the sale of tobacco and electronic smoking devices to purchasers under 21 years of age.

The Hawai’i Public Health Institute is a hub for building healthy communities, providing issue-based advocacy, education, and technical assistance through partnerships with government, academia, foundations, business, and community-based organizations.

ⁱⁱ U.S. Food and Drug Administration. (2020, July 21). Modified Risk Orders. Retrieved from <https://www.fda.gov/tobacco-products/advertising-and-promotion/modified-risk-orders>

ⁱⁱⁱ <https://www.generalsnus.com/StoreLocator/>

^{iv} <https://www.getiqos.com/>

^v U.S. Food and Drug Administration. (2019, November 12). Tobacco Products Scientific Advisory Committee. Retrieved from <https://www.fda.gov/advisory-committees/committees-and-meeting-materials/tobacco-products-scientific-advisory-committee#:~:text=Purpose,the%20regulation%20of%20tobacco%20products.>

^{vi} Tobacco Products Scientific Advisory Committee. 2018. In *January 24-25, 2018: Summary Minutes 24-25 January 2018*. U.S. Food and Drug Administration: FDA White Oak Conference Center. Retrieved from <https://www.fda.gov/media/111455/download>

^{vii} 2019 Youth Risk Behavior Surveillance System (YRBS). Available at: www.cdc.gov/yrbs. Accessed on 02/03/2021.

^{viii} U.S. Department of Health and Human Services. *E-cigarette Use Among Youth and Young Adults, a Report from the Surgeon General* (2017). From https://e-cigarettes.surgeongeneral.gov/documents/2016_SGR_Exec_Summ_508.pdf

^{ix} Jackler RK, Ramamurthi D. Tob Control Epub ahead of print: 2.6.19.doi:10.1136/tobaccocontrol-2018-054796. <https://tobaccocontrol.bmj.com/content/early/2019/01/31/tobaccocontrol-2018-054796>

^x This study by Ward Research, Inc. summarizes findings from a phone survey among n=800 Hawaii registered voters (maximum sampling error +/-3.3%), conducted between September 21 – October 16, 2020.

^{xi} <https://volcanoecigs.com/collections/nicotine-salt-e-liquids/products/beard-vape-the-salty-one-apple-nicotine-salt-30ml?variant=29461231992855> on January 29, 2020.

^{xii} <https://med.stanford.edu/news/all-news/2020/08/vaping-linked-to-covid-19-risk-in-teens-and-young-adults.html>

^{xiii} Surgeon General Advisory, December 2018, <https://e-cigarettes.surgeongeneral.gov/documents/surgeon-generals-advisory-on-e-cigarette-use-among-youth-2018.pdf>

Smoke-Free Alternatives Trade Association

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**House of Representatives of Hawaii
COMMITTEE ON FINANCE
(Hearing Date February 25, 2021)
Position: Oppose**

RE: H.B. 476 Title: Electronic Smoking Devices; E- Liquid; Taxation; Regulation; Modified Risk Tobacco Products; Retail Tobacco and E-Liquid Permits

Chair Rep. Sylvia Luke and Vice Chair Rep. Ty J.K. Cullen and members of the Committee on Finance:

Thank you for the opportunity to submit testimony regarding House Bill 476 (HB 476).

My name is Mark Anton, and I am the Executive Director of the Smoke-Free Alternatives Trade Association (SFATA), based out of Washington, DC.

SFATA, a 501(c)(6) organization, is a national trade association of businesses that work in, or in service of, the vapor products industry, including manufacturers, distributors, and retailers. SFATA's mission is to advocate for a reasonably regulated U.S. marketplace, which allows its member companies to provide smoke-free products to adult consumers, while promoting a positive public image for vapor products, and educating businesses in our industry. All SFATA members must agree to adhere to the association's Member Code of Responsible Conduct, which includes, among other things, strict marketing and packaging guidelines. That document can be found here:

https://www.sfata.org/content.aspx?page_id=22&club_id=89995&module_id=294336

SFATA also assists its members, which are small companies, with compliance of federal and state regulations. One of the ways we do this is by providing educational webinars regarding the development and building of Pre-Market Tobacco Applications with the Food and Drug Administration (FDA), and how to comply with new federally mandated shipping requirements, based on the PACT Act to prevent youth access to vapor products recently passed in the Omnibus spending bill.

Our members are law-abiding businesses and want to comply, but they are small and lack the resources of big tobacco firms to understand how to comply with federal and state laws, and SFATA helps them accomplish this. They are eager to work to help adult smokers with an alternative to smoking combustible cigarettes and prevent youth access, as they themselves are former smokers.

It is our assessment that HB 476, if enacted, would significantly harm consumer welfare, lead to avoidable negative health outcomes, and cause unnecessary hardship on Hawaii small businesses.

These restrictions would be particularly harmful to Hawaii's consumers, because it would prevent those trying to stop smoking from accessing vaping products that have been proven to help smokers quit, or switch from combustible cigarette use, the deadliest form of nicotine consumption.

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In 2016, the tobacco age was raised to 21 in Hawaii. In January 2020, the Food and Drug Administration (FDA) banned the sale of all fruit and sweet flavors in pod and cartridge-based e-cigarettes. The FDA took this action as they found, based on science, that cartridge-based e-cigarettes were the predominant vehicle of youth use of flavored vapor products. The FDA also noted that open-system flavored e-liquid did not play a substantial role in youth use.

HB 476 does not distinguish between e-cigarettes and traditional tobacco products, placing both under the same category as “smoking” products, even though e-cigarettes are much safer than the combustible alternative. The scientific evidence from both the United States and European Union has proven beyond any reasonable doubt that e-cigarettes are safer than combustible cigarettes and are significantly more successful in helping smokers quit than traditional nicotine replacement therapies.¹²³

Yale University School of Public Health performed a discreet choice study to determine the likely impacts of an FDA-proposed ban on flavors, on rates of smoking combustible cigarettes, and e-cigarette use. The conclusion found a ban on flavored e-cigarettes alone would likely increase the choice of cigarettes in smokers, arguably the more harmful way of obtaining nicotine.⁴

We must be reminded of the benefits of flavors in vaping products for the consumers of Hawaii and not impose such hardships on the businesses that provide such vital information and quality products to the consumer. Driving small vaping businesses out of the market will just put consumers in peril of not understanding the products and options that might remain.

The bill HB476 provides an alternative tax rate of 50% for Modified Risk Tobacco Products. This clear delineation shows an inherent misunderstanding of the Federal Tobacco Control Act of 2009. If a tobacco product is a new tobacco product and applies for a Modified Risk Tobacco Product order it must also satisfy the requirements of a new tobacco application and receive a marketing order.

SFATA does not believe our products are tobacco products as such, the deeming by the FDA has brought vapor products under the tobacco control act. However, the Pre-Market Tobacco Application (PMTA),

¹ Royal College of Physicians. “Nicotine without the smoke: Tobacco harm reduction.” London RCP, 2016.

<https://www.rcplondon.ac.uk/projects/outputs/nicotine-without-smoke-tobacco-harm-reduction-0>

² Stephens WE. “Comparing the cancer potencies of emissions from vapourised nicotine products including e-cigarettes with those of tobacco smoke.” Tobacco Control 2018;27:10-17.

<https://tobaccocontrol.bmj.com/content/27/1/10>

³ Hajek, Peter et al. “A Randomized Trial of E-Cigarettes versus Nicotine-Replacement Therapy.” N Engl J Med 2019; 380:629-637 <https://www.nejm.org/doi/full/10.1056/NEJMoa1808779>

⁴ Buckell J, Marti J, Sindelar JL. “Should flavours be banned in cigarettes and e-cigarettes? Evidence on adult smokers and recent quitters from a discrete choice experiment.” Tobacco Control. 2019;28:168-175.

<https://tobaccocontrol.bmj.com/content/28/2/168.citation-tools>

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requires that the product be appropriate for the protection of public health (APPH) to be authorized to sell.

This includes a comprehensive scientific review and as such will be compared to current conventional cigarettes. The application must also show the effects on non-users and the potential for initiation. If authorized for market the FDA will have clearly determined that products are appropriate for protection of public health and do not pose a significant risk on non-users. In which it would make no sense to tax these products at all, but encourage the switching of current smokers to the authorized products for sale.

The historical purpose of excise taxes on conventional cigarettes was to reduce smoking rates. Smoking is the number one preventable reason for death and disease of its users. Tobacco takes many forms but burning shredded leaves is by far the deadliest form according to the Centers for Disease Control (CDC). Vaping and electronic cigarettes show a significant benefit to users who have switched completely and it is this reason that we oppose the introduction of any taxes on vapor products.

In a Wall Street Journal article, a CDC employee made the following comment: “Adults using e-cigarettes as an alternative to cigarettes shouldn’t go back to smoking,” said Brian King, a deputy director of the CDC’s Office on Smoking and Health and a senior official involved in the agency’s vaping-related illness response.⁵

While we are in support of the noble goal of preventing youth use, we cannot support this bill with the inevitable outcome of hurting adults. However, if Hawaii follows US trends, then we should see the following: teen vaping dropped 29% between 2019 and March 2020 (when schools closed)⁶, and another 32% by Nov. 2020⁷. We should build on this and make vapor products stronger as an alternative.

A study in the Harm Reduction Journal in 2018 concluded: “Judgements on whether authorizing marketing of flavored e-cigarettes would be appropriate for the benefit and protection of the public health should account for the possibility that adults who have switched completely from smoking cigarettes to using e-cigarettes in non-tobacco flavors may not have attempted to switch to e-cigarettes,

⁵ <https://www.wsj.com/articles/during-covid-19-lockdowns-people-went-back-to-smoking-11611829803>

⁶ <https://www.cdc.gov/mmwr/volumes/69/wr/pdfs/mm6937e1-H.pdf>

⁷

https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2773494?utm_source=For_The_Media&utm_medium=referral&utm_campaign=ftm_links&utm_term=120320

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or perceived themselves as able to switch, had e-cigarettes only been available in the flavors that are available through conventional cigarettes.”⁸

We believe that the FDA is best suited for making this determination. The PMTA process is the most scientific and appropriate vehicle to make this determination. The applicants, of which many of our Hawaii members have initiated with the FDA, must show toxicology reports on harmful and potentially harmful constituents, as well as clinical reviews on the use of these products.

They also must demonstrate that they are appropriate for use by adult consumers and prove they are only marketing to adults who either vape or smoke currently. They must also show how they are going to prevent youth access and uptake of the products they are marketing.

This application and scientific review are very expensive, as well as exhaustive. Introducing and passing HB476 would effectively cause significant financial harm to our members, but it would also render the FDA process mute. This would not only be harmful to the businesses trying to comply, but would also put consumers in peril, especially if the FDA finds these products appropriate for the protection of public health.

Many health and public groups have made the false claim that vaping by youth leads to smoking. The following data puts that premise to rest. In 2008, the year vaping was introduced to the general market, the adult smoking rate was 20.6%, and the youth smoking rate in 2011 was 15.8%. However, the smoking rate among adults in 2018 was at 13.7% a 33.5% drop in adults, while the youth smoking rate in most recent data from National Youth Tobacco Survey shows the rate at 4.6%, a huge drop of 71%. The data does not indicate that vaping may lead to youth uptake of smoking. In fact, it is quite the opposite.

SFATA believes that we can accomplish the goal of both restricting youth access while also allowing adult access. This is the best strategy to keep reducing the overall smoking rates of adults. We have introduced our Responsible Industry Network (RIN) program to the Centers of Tobacco Products (CTP) at FDA. This program is designed to restrict flavors to adult-only vape stores, to products that have gone through the PMTA process. This will allow marketing to adults of products in the program, while at the same time putting strict conditions and compliance checks on the retailers selling these products.

You will find a summary of this program attached at the end of this testimony. We hope you will find it informative and proves that the vapor store retailers are responsible community members who take Tobacco Harm Reduction seriously.

⁸ Russell, C., McKeganey, N., Dickson, T. *et al.* Changing patterns of first e-cigarette flavor used and current flavors used by 20,836 adult frequent e-cigarette users in the USA. *Harm Reduct J* **15**, 33 (2018).
<https://doi.org/10.1186/s12954-018-0238-6>

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It is our position to oppose this bill, as it would put many adults at risk of lapsing back to, or not initiating a switch away from, combustible cigarettes. It would put the youth at risk of illicit or underground markets of unknown manufacture and would cost the state of Hawaii considerable revenue.

SFATA opposes this legislation, and we urge the committee to vote NO on HB 476.

Respectfully,

Mark Anton

Executive Director

Smoke-Free Alternatives Trade Association

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Smoke-Free Alternatives Trade Association (SFATA) Responsible Industry Network (RIN):

Proposal and Program Overview

I. Summary

- As a national trade association of businesses in the electronic nicotine delivery systems (ENDS) industry, the Smoke-Free Alternatives Trade Association (“SFATA” or “Organization”) requires its members to uphold the highest standards of excellence and adhere to the Organization’s Member Code of Responsible Conduct to offer less risky alternatives to combustible cigarettes for adult smokers that are appropriate for the protection of the public health. SFATA believes its members, including its retailer members, can further the U.S. Food and Drug Administration’s (FDA) public health mission by self-regulating and complying with Organization’s set standards, as well as all applicable health and safety requirements of state and local health authorities.
- SFATA advocates ENDS such as electronic cigarettes and e-liquids for adult use only. Accordingly, SFATA supports age restrictions on all tobacco products, including ENDS. We expect FDA to be supportive of innovative solutions to limit youth access. SFATA believes that controlled distribution would advance FDA’s goals of restricting youth access to ENDS products, as described in FDA’s Youth Tobacco Prevention Plan.⁹
- SFATA proposes its Responsible Industry Network (“RIN”) program, which requires adherence to certain regulatory standards and SFATA’s own, additional criteria for participation in a controlled network of eligible ENDS manufacturers, distributors, and retailers, implementation of robust age verification (including requirements for adult-only retail establishments) and product tracking measures, routine monitoring and data collection to further FDA’s postmarket surveillance efforts and enhanced enforcement through program-related corrective actions and penalties and data sharing with law enforcement and regulatory authorities.

II. SFATA Background and Mission Statement

- SFATA is a national trade association of businesses that work in, or in service of, the ENDS industry. Our members represent a wide cross-section of ENDS industry members, including

⁹ See U.S. Food & Drug Admin., FDA’s Youth Tobacco Prevention Plan (updated September 14, 2020) (available at <https://www.fda.gov/tobacco-products/youth-and-tobacco/fdas-youth-tobacco-prevention-plan>).

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distributors, manufacturers, and retailers. Firms must agree to uphold SFATA Principles as a condition of membership.

- SFATA believes in self-regulation and setting the standard for the vaping industry. As responsible business owners, our members understand that model corporate citizenship is vital to ensuring the continued availability of effective, innovative products that have the potential to eliminate the public health hazards caused by use of combusted cigarettes. Specifically, our members believe we have a responsibility to self-regulate the manufacturing, marketing, and sale of ENDS products based on compliance with regulatory requirements and commitment to SFATA's mission and adherence to the association's member Code of Conduct.
- We believe that a controlled distribution network that spans from the manufacturer, to the distributor, and on to the retailer, coupled with the robust age verification and data gathering measures described in this Proposal, would advance FDA's goals of restricting youth access to ENDS products and protecting the public health.

III. Program Objectives

SFATA's proposed RIN is intended to help FDA fulfill its public health mission by seeking to:

- Facilitate and monitor compliance of SFATA member ENDS products companies, including retailers, distributors, and manufacturers, to the Organization's mission and guiding principles, FDA regulatory requirements, and state and local laws.
- Control product marketing and sales and limit access via a controlled distribution buying network.
- Enable robust product tracking and tracing (and deter straw sales) via TraceVerify partnership or other measures that allow the product RFID tag/ QR Code (tracing lot number) to the purchaser ID at the point of sale.
- Direct accountability to manufacturers, distributors, and retailers with concrete, tangible corrective actions and consequences for non-compliance, including loss of the Organization's membership, program participation, and access to industry partners.
- Require retail participants in SFATA's RIN to sell products distributed by manufacturers also participating in the program, ensuring a closed loop system of control.

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- Generate and compile comprehensive, broader postmarket surveillance data. By using a collaborative, joint approach to discover any new youth-attractive trends, industry can take a proactive approach in curbing youth uptake and assist in fulfilling FDA’s public health mission.
- Establish a robust reporting and records system that will help eliminate youth use of adult vapor products.
- Further enforcement efforts by regulatory and law enforcement authorities to deter bad actors and straw purchasers.

IV. Responsible Industry Network – Program Overview

- SFATA’s RIN program requires adherence to FDA regulatory standards and SFATA’s own, additional criteria for participation in a controlled network of eligible manufacturers, distributors, and retailers. Key components of the RIN program are:
 - Controlled Distribution Network - Retail participants in the RIN program are committed to selling ENDS products distributed by manufacturers also participating in the program, ensuring a closed-loop system of control. Membership criteria ensures the RIN program is limited to responsible, like-minded business members. RIN members will only sell products that submitted Pre-Market Tobacco Applications (PMTAs) to FDA.
 - Robust Age Verification – Includes requirements for adult-only¹⁰ retail establishments and eCommerce platforms.
 - Upgraded Product Tracking Measures – Partnership with TraceVerify or other tools to link product manufacturing history (RFID tag/QR code) to Purchaser ID.
 - Routine Monitoring and Data Collection - To further FDA’s postmarket surveillance efforts, a SFATA compliance officer will work with SFATA’s Oversight Committee to ensure participating members operate within the parameters of the RIN Program.
 - Enhanced Enforcement - Through program-related corrective actions and penalties, and data sharing with law enforcement and regulatory authorities.
 - This Proposal is intended to reduce the resource burden on both FDA and responsible industry members while furthering the public health, and

¹⁰ “Adult-only” is defined as requiring each person present to provide a government-issued identification showing a photograph and a date of birth indicating the holder is at least 21 years of age. Parents with minors present are allowed in when necessary to obtain supplies. See SFATA RIN “Program Requirements.”

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establishes a more robust reporting and record system that will help minimize youth access to adult ENDS products.

V. Postmarket Surveillance

- Although postmarket surveillance typically requires well-designed monitoring of product safety for *users*, given that FDA’s mandate is to protect population health, SFATA believes that surveillance must be broader and must assess impact on users and non-users, transitions among tobacco-use states, and change over time.
- Postmarket data is needed to assess these parameters and how those data apply to real-world users. The challenge, however, is that new tobacco products may have small user bases. Thus, although surveillance mandates fall on each company, multiple, overlapping efforts may be wasteful, yielding fragmented and contradictory results. Rather, industry would benefit from collaboration on surveillance efforts, since collaborative joint effort would allow more robust, consistent results and perspective.
- Data will be submitted to FDA on an as-needed basis on behalf of all RIN program participants, streamlining the process for both industry and FDA.

VI. Enforcement

- SFATA believes members can work together to increase law enforcement and regulatory agencies’ effectiveness, by means of deterring straw buyers and bad actors, to drastically reduce underage use of ENDS products by utilizing our controlled network to predict trends, to locate weaknesses, and build strengths.
- Through TraceVerify, the customer’s age, driver’s license number, and the state of issue will be permanently linked to the unique identifying number of the purchased ENDS product and be stored in a secure cloud database that law enforcement can access to cross-reference purchase data against DMV information. This will identify the offending straw buyer, or conversely, the employee who either did not scan the customer’s ID or scanned the ID of an underage user, so authorities can levy the appropriate enforcement actions.



February 25, 2021

1:00 p.m.

VIA VIDEOCONFERENCE

Conference Room 308

To: House Committee on Finance

Rep. Sylvia Luke, Chair

Rep. Ty J.K. Cullen, Vice Chair

From: Grassroot Institute of Hawaii

Joe Kent, Executive Vice President

RE: HB476 — RELATING TO TAXATION

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB476, which would impose a 50% excise tax on the wholesale price of every wholesaler for each modified risk tobacco product sold, used, or possessed by a wholesaler. The bill would also establish taxation of e-liquids used in electronic smoking devices and require licensing and permits for wholesalers and retailers of such products.

We are gravely concerned about the impact of this tax and the many tax increases, fees, and surcharges that have been proposed this legislative session. Hawaii residents are already among the most taxed in the country; the state has the [second highest overall tax burden](#) in the U.S.

That high tax burden contributes to Hawaii's cost of living and is one of the reasons why so many Hawaii residents have been leaving in search of greater opportunities elsewhere.

Given the state's already-high tax burden, there is never a good time to raise taxes. But this proposal comes at an especially bad time. The state is still in a state of emergency, tourism has slowed to a trickle, businesses are closing and unemployment is high. The economy will take

years to recover from the pandemic and lockdowns. The last thing Hawaii residents and businesses need at this point is a tax hike.

There are myriad reasons policy makers should be wary of implementing tax hikes at this time. Here are just a few:

>> Hawaii cannot sustain a hike in taxes since its already-damaged economy was hit harder by the lockdowns than any other state in the nation.¹

>> State lawmakers increased taxes and fees substantially following the Great Recession of 2007-2008,² despite a windfall in revenues from an economic boom over the past decade. Taxes and fees ballooned on motor vehicles, transient accommodations, estates, fuel, food, wealthy incomes, property, parking and businesses.

>> Hawaii's population reduction of 21,879 people since fiscal 2016³ has left Hawaii's remaining taxpayers with a greater tax burden.

>> Hawaii businesses are already bracing for an automatic tripling, on average, of the state unemployment tax.⁴ The UI tax rate depends not only on individual employer's claims experiences but also on the overall health of the state's unemployment insurance fund, which is hundreds of millions of dollars in the red.⁵

>> Hawaii already has a regressive general excise tax that disproportionately hits the poor.⁶

>> Hawaii has a progressive income tax that taxes high-income earners at 11%, second only to California at 13.3%.⁷ Hawaii's top 1% already pays 23% of all income taxes in the state.⁸

¹ Dave Segal, "[Hawaii's unemployment rate hit nation-high 15% in September](#)," Honolulu Star-Advertiser, Oct. 20, 2020.

² "[Tax Acts \(by Year\)](#)," Tax Foundation of Hawaii, accessed Feb. 8, 2021.

³ "[Annual Estimates of the Resident Population for the United States, Regions, States, and the District of Columbia: April 1, 2010 to July 1, 2020 \(NST-EST2020\)](#)" U.S. Census Bureau, Population Division, December 2020.

⁴ "[State unemployment tax slated to automatically triple in 2021](#)," Grassroot Institute of Hawaii, Nov. 16, 2020.

⁵ "[UI Budget](#)," United States Department of Labor, Employment & Training Administration, Feb. 8, 2021.

⁶ "Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index: "[Sales Tax Burden](#)," American Legislative Exchange Council, 2021. Note that Hawaii does not have a sales tax, but a state general excise tax that is levied on almost all goods and services, and imposed multiple times throughout the production chain.

⁷ Katherine Loughhead, "[State Individual Income Tax Rates and Brackets for 2020](#)," Tax Foundation, Feb. 4, 2020.

⁸ "[Hawaii Individual Income Tax Statistics](#)," Hawaii Department of Taxation, December 2020, Table 13A.

>> Closing tax exemptions would amount to a tax hike for Hawaii businesses already facing a steep spike in their unemployment insurance taxes.

>> Increasing Hawaii's lowest-in-the-nation property-tax rates⁹ would result in a much higher overall tax bill compared to other states because Hawaii residents uniquely pay for public education through the general fund as opposed to property taxes.¹⁰ Additionally, Hawaii's low property taxes are balanced out by the highest housing costs in the nation,¹¹ which results in a \$1,236 average annual property tax per capita, which is only slightly below the national average of \$1,617.¹²

Hawaii needs leadership that will stabilize the current financial crisis, reduce unsustainable long-term costs and lower the cost of living. Balancing the books without tax increases or future debt could send a message that Hawaii is a good place for businesses and future generations, and this could help the economy thrive while motivating people to return to the islands.

If the state needs more revenues, policymakers should focus on growing the economy. In our current condition, even small economic gains would have big effects.

If the purpose of the tax is to alter behavior, consider that the negative impact of a tax hike can far outweigh whatever policy goal is being pursued.

Hawaii's residents and businesses need a break from new taxes, fees, surcharges and tax hikes. This is not the time to make Hawaii a more expensive place to live and do business.

Thank you for the opportunity to submit our comments.

Sincerely,

Joe Kent
Executive Vice President,
Grassroot Institute of Hawaii

⁹ John Keirnan, "[Property Taxes by State](#)," WalletHub, Feb. 25, 2020.

¹⁰ Janis Magin, "[Hawaii lawmakers seek to add new property tax to fund teacher pay](#)," Pacific Business News, Jan. 27, 2020.

¹¹ "[Average House Price by State in 2020](#)," The Ascent, Aug. 4, 2020.

¹² Janelle Cammenga, "[How Much Does Your State Collect in Property Taxes per Capita?](#)," Tax Foundation, March 11, 2020.



To: The Honorable Representative Sylvia Luke, Chair
The Honorable Representative Ty Cullen, Vice-Chair
Committee on Finance

Hrg: February 25, 2021 at 1:00pm, Room 308/Zoom

From: Trish La Chica, Community and Government Relations Manager, External
Affairs

RE: **HB476 HD2, Relating to Taxation – Comments**

AlohaCare appreciates the opportunity to testify providing comments on **HB476 HD2**, which has been amended to establish a tax on modified risk tobacco products and e-liquids and would require licensing and permitting for electronic smoking devices (ESDs). AlohaCare is concerned with the different tax levels on e-cigarettes and carving out a definition for modified risk tobacco products.

Founded in 1994, AlohaCare is a community-rooted, non-profit health plan serving 73,000 Medicaid and dual-eligible health plan members on all islands. Our mission is to serve individuals and communities in the true spirit of aloha by ensuring and advocating access to quality health care for all. We believe that health is about supporting whole-person care, including access to housing and food security, to build a stronger, healthier Hawaii.

AlohaCare would like to offer the following comments. Modified risk tobacco products were not originally addressed in HB476 and while we appreciate the Legislature's intent to tax these products, it is important to note that despite being designated as "modified risk", that these products are still not safe, as there's still a level of risk with all tobacco products. AlohaCare believes that this measure will help to create more policy parity between e-cigarettes and other tobacco products. AlohaCare respectfully requests that the existing tax rate of 70% on wholesale products be applied to all electronic smoking devices and e-liquids as it is important to treat all ESDs and e-liquids as tobacco products for the protection of public health. Increasing prices through taxation is a proven strategy to reduce consumption and initiation of tobacco products.

We appreciate the legislature's intent to ensure that e-liquids are treated as tobacco products and bring these products closer to parity in taxation. We also support the mandate for permitting and licensing for e-cigarette sellers.

We are grateful to the Committee for hearing HB476 HD2 and the opportunity to testify.



Date: February 24, 2021

To: The Honorable Sylvia Luke, Chair
Members of the House Committee on Finance

From: Liza Ryan Gill, Campaign Manager, Campaign for Tobacco-Free Kids HI

Re: **Comments for HB476 HD2, Relating to Taxation**

Hrg: February 25th, 2021 at 1:00pm

Thank you for the opportunity to submit comments on HB476 HD2, which would establish taxation for electronic smoking devices and the e-liquids used in them.

The Campaign for Tobacco-Free Kids' goal is to protect children and save lives from the leading cause of preventable death: tobacco use. We envision a future free of death and disease caused by tobacco and support policies that will help us achieve those goals.

The need for us to act quickly has never been more urgent, as new tobacco products have come to market in sweet candy flavors aimed at attracting our youth. Hawai'i has one of the highest rates of middle school students who vape in the US and nearly one in three of our high schoolers have used an e-cigarette in the last 30 days. Of those youth who use e-cigarettes, more than 80% of them use flavored products.

Taxation of tobacco products is a proven strategy that improves the health of residents, and helps to balance budgets. Nationally, every 10 percent increase in cigarette prices reduces consumption by about four percent. Taxing e-cigarettes is an important tool to curb this dramatic rise in e-cigarette use.

The e-cigarette tax established in this bill is a great first step in seeking to address this issue. When coupled with strong regulatory protections, and an end to the sale of flavored tobacco products, will result in real wins for our youth.

In addition to a comprehensive approach to addressing this critical issue, we recommend that a stronger definition be considered. We are concerned that the current definitions for "e-liquid" and "open system e-liquid" may leave out popular devices used by youth here in Hawai'i.

Furthermore, as we have learned across the country, any effective tobacco tax establishes parity in taxation among tobacco products. Without such parity, youth will continue to gravitate to lower price, lower taxed options.

Recently adopted amendments to this bill would establish a lower tax rate for products approved by the FDA to be Modified Risk. There is a common tactic, pushed by the tobacco industry in many states, to establish a loophole that would allow for lower taxation of their products. Modified Risk Tobacco Products should not be taxed any differently than other tobacco products. This ensures that tobacco users are encouraged to quit smoking, rather than switch to a different tobacco product.

Mahalo,



Liza Ryan Gill, Campaign for Tobacco-Free Kids HI



February 24, 2020

To:

Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair

From: Scott Rasak, VOLCANO Vape Shops
Chief Operating Officer

RE HB476 HSCR 141– oppose.

Thank you for the opportunity to submit testimony.

VOLCANO is the largest independent retailer & wholesaler of vapor products and vaping accessories in the State of Hawaii. We currently own and operate 16 locations statewide and employ over 80 full-time workers to support sales of our products not only here in Hawaii, but to most USA states as well as over 30 International countries. We stand in opposition to HB476 for the following:

- Most recently, the FDA has issued updated guidance on vapor products which limit a flavor restriction to prefilled pods such as the Juul device which has been proven in the recent CDC Youth Tobacco Risk Survey to be the #1 brand choice for youth usage. This is a measured approach to an issue The FDA purposefully left the “open tank” market off their guidance for flavor restrictions because they want to keep the adult users and industry participants insulated from a blanket ban that would send adults back to cigarettes and put 15,000 small businesses out of business & 100,000 people out of work nationally.
- Vapor products and e-liquids contain NO tobacco, often times contain NO nicotine, and ultimately emit NO smoke when vaporized; yet HB476 deceptively refers to vapor products as “Electronic Smoking Devices” to mislead the public and creates a false perception of the nature of these products. This misclassification establishes the idea that vapor products are the same as tobacco products and thus, should be viewed, controlled, and perceived the same way as traditional tobacco products. This is a complete disregard of the fact that vapor products are fundamentally different from tobacco products in every way.
- HB476 states in its justification that the bill and its regulations are needed to curb youth usage. However, it fails to mention the latest available CDC report that shows youth use of all tobacco products, including e-cigarettes are at the lowest levels ever. Furthermore, a study done the following year at the University of Michigan found that the majority of youth who have reported using e-cigarettes are not using e-liquids that contain nicotine - further suggesting that youth who do use ecigarettes are doing so to replace the use of traditional tobacco.
o <https://www.cdc.gov/media/releases/2017/p0615-youth-tobacco.html>
- The most Recent CDC report has shown e-cigarettes have supplanted all other traditional nicotine replacement therapies and are now the most commonly used product by consumers to quit using traditional tobacco cigarettes
o http://www.journalnow.com/business/business_news/local/cdc-report-shows-moresmokers-try-to-quit-with-e/article_a33383f3-5300-5178-9f14-28b52884c45c.html



- A recent study published by the New England Journal of Medicine concluded that ECigarettes are twice as effective for smoking cessation than traditional nicotine replacement therapy products which are not taxed or controlled the same way this bill proposes to tax and control E-Cigarettes. The state should be creating easier access for these products, not tighter regulations that steers vapers back towards tobacco cigarettes

- o <https://www.nejm.org/doi/full/10.1056/NEJMoa1808779>

- A recent study by the National Academy of Sciences, Engineering, and Medicine stated: "there is conclusive evidence that completely substituting e-cigarettes for combustible tobacco cigarettes reduces users' exposure to numerous toxicants and carcinogens present in combustible tobacco cigarettes." The findings add to the already weighty body of evidence showing vaping to be far less hazardous than smoking.

- o <http://www.washingtonexaminer.com/landmark-e-cigarette-report-explodes-myththat-vaping-is-as-toxic-as-smoking/article/2646804>

- o http://nationalacademies.org/hmd/reports/2018/public-health-consequences-of-ecigarettes.aspx?utm_source=Hootsuite&utm_medium=Dashboard&utm_campaign=SentviaHootsuite

- Vapor Products are not the same as tobacco products, and thus, should not be regulated in the same fashion. Vapor products have not been demonstrated to have the same detrimental effects of combustible tobacco products and have otherwise been shown in recent studies to be as much as 95% less toxic than traditional Cigarettes. Creating extraneous regulations that aim to limit access only serves to protect deadly tobacco markets.

- o https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/457102/Ecigarettes_an_evidence_update_A_report_commissioned_by_Public_Health_England_FINAL.pdf

- HB476 justification states that without taxing vapor products, "smokers may be tempted to purchase less expensive products such as e-liquid". This is false. Virtually all e-cigarette starter kits and bottles of e-liquid are already higher priced in comparison to tobacco cigarettes.

- Most troubling is the fact that by subjecting vapor products to this proposed tax, the additional costs to consumers will likely result in the state seeing less tax revenue, and even worse, former smokers returning to tobacco use. The tax will result in current vapor users purchasing from online vendors who would not be subject to state taxes. Local manufacturers, wholesalers and retailers would be put at a massive competitive disadvantage and most retail customers would send their money out-of-state effectively lowering the tax revenue already being generated by sales of vapor products here in the state. We would be unable to compete in other out-of-state and international markets with competitors who are not subjected to the same tax, which would put our local operations in severe jeopardy meaning an immediate loss of jobs and existing revenues. This bill would also effectively reduce access to a modified risk product that has been a public health win and would simply prop up and protect the proven deadly tobacco market.

It is our belief that this continuing unjustified classification and requirements are not in the best interests of the State of Hawaii. Thank you for your time and consideration. If you have any questions, please feel free to contact me directly.

Sincerely,



VOLCANO®

Scott Rasak
Chief Operating Officer
VOLCANO Vape Shops
197 Sand Island Access Rd. #213
Honolulu, HI 96819
scott@volcanoecigs.com

HB-476-HD-2

Submitted on: 2/24/2021 4:53:27 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Johnson	Hawaii Substance Abuse Coalition	Support	No

Comments:



HSAC is in full support to tax, both for the economic recovery and out of major concern for our children:

- Given the Surgeon General's warning about the dangers of vaping, especially by the historic rise in its use by youth, allocating taxes can help to reduce consumption and increase revenues for economic recovery.
- The danger to children is a growing major public health concern.
- Excise taxes and the continuing increase in taxes has proven to help people quit or sustain cessation.

HSAC humbly recommends that the House consider that some of the tax could support the much needed youth tobacco prevention programs.

We appreciate the opportunity to provide testimony and are available for questions.

COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair

Rep. Ty J.K. Cullen, Vice Chair

Thursday, February 25, 2021 1:00 PM

Comments for Amendments for House Bill 476 House Draft 2 Relating to Taxation

The American Lung Association is the leading organization working to save lives by improving lung health and preventing lung disease, through research, education, and advocacy. The work of the American Lung Association in Hawaii and across the nation is focused on four strategic imperatives: to defeat lung cancer; to improve the air we breathe; to reduce the burden of lung disease on individuals and their families; and to eliminate tobacco use and tobacco-related diseases.

The American Lung Association in Hawaii supports the intent of this legislation and asks for the following amendments:

1. **Include disposable e-cigarettes in the definition of devices included in this legislation.** Disposable e-cigs are in pre-filled and sealed disposable containers, but are not "used with an electronic smoking device" because they are devices with e-liquid already in them, and therefore may cause confusion for retailers and a loophole for the industry.
2. **Bring tax parity with other tobacco products.** The current language of this bill makes the taxes for electronic devices lower than other types of tobacco. Research has shown that increasing taxes on tobacco decreases its use, particularly amongst youth. Bringing tax parity between electronic smoking devices and other tobacco products has the best chance for reducing our youth vaping rates.
3. **Invest in tobacco cessation for youth.** As Hawaii currently only spends a 66% of what are the Centers for Disease Control and Prevention recommended spending levels for tobacco control¹, we recommend a portion of this new tax revenue to be reserved to support Hawaii's cessation resources for youth.

The need for Hawaii to protect youth from tobacco is more urgent than ever, with youth e-cigarette use reaching epidemic levels. According to the Centers for Disease Control, in 2019 nearly every 1 in 3 high schoolers in Hawaii vape regularly. This is an over 70% increase in youth vaping rates since 2017. Native Hawaiians and Pacific Islanders have even higher vaping rates than the youth state average.¹

The American Lung Association in Hawaii urges legislators to continue to support and advocate for policies to protect youth from tobacco use through tax parity. We support the intent of House Bill 476, House Draft 2 and welcome the suggested edits to make this bill even stronger.



Pedro Haro
Executive Director
American Lung Association in Hawaii
pedro.haro@lung.org

¹ American Lung Association (2021, January). State of tobacco control - Hawaii.

HB-476-HD-2

Submitted on: 2/23/2021 1:26:24 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Sheldon Miyakado	Individual	Oppose	No

Comments:

I STRONGLY OPPOSE.

Hi All

I OPPOSE this Bill. I do understand the recent news articles have dramatically hyped up the usage of e-cigarettes in a bad way, but you have to review both sides and all the studies. Labeling an ecig as a tobacco product is not correct. An ecig or parts of it have nothing to do with tobacco, doesn't contain tobacco or nicotine which makes it mislabeled. E-cigarettes have helped millions of people actually quit smoking cigarettes (Less second hand smoke). It's a known fact that ecigs contain very little nicotine and no tar (like regular cigarettes) which is the leading cause of lung illnesses.

The problem is not the product but the illegal usage by underage users. Instead of taxing and penalizing small businesses which are already struggling to make ends meet penalize the end user, if they are underage issue a stiff penalty, if someone sells to an underage user penalize them, same with cigarettes and alcohol.

I do support tougher laws/ penalties for those who break the laws as it punishes the guilty party. As with the other Bills that try to limit the usage or tax a product that doesn't always contain nicotine only puts a burden or punishes the law abiding citizen. There have been recent studies that show that e-cigarettes have helped people quit smoking regular cigarettes (reducing second hand smoke) and contrary to popular belief it doesn't cause lung disease or other illness as stated by the CDC.

"CDC DROPS its warning against vaping nicotine for adults as officials say it's blackmarket THC e-cigarettes that are 'driving' the outbreak of almost 3,000 lung illnesses"

<https://www.dailymail.co.uk/health/article-7900803/CDC-drops-warning-against-vaping-nicotine->

***adults.html?fbclid=IwAR1n_hqDYZ07tF5oMc8K_e0wLvVvh8Ik4NUz5Xgjhp3w6B
Cuh7MU66Ye9I***

Here is another articles that references ecigs from the CDC.

***[https://reason.org/commentary/cdc-survey-shows-flavors-arent-driving-youth-
vaping/?fbclid=IwAR051bwZRSZB4hhH2J_Id_Hqr_9SQafJRaBGrwjWND852H6Uva
znRBBfKKY](https://reason.org/commentary/cdc-survey-shows-flavors-arent-driving-youth-vaping/?fbclid=IwAR051bwZRSZB4hhH2J_Id_Hqr_9SQafJRaBGrwjWND852H6Uva
znRBBfKKY)***

The problem is the illegal use of ecigs which needs to be addressed with tougher laws or punishments. Punish those who are breaking the laws and not the law abiding citizen who chooses to smoke ecigs.

Best Regards

Sheldon Miyakado

REGISTERED VOTER.

HB-476-HD-2

Submitted on: 2/23/2021 1:56:02 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Vin Kim	Individual	Oppose	No

Comments:

I oppose this bill. Please do not make it harder for people to get off cigarettes.

HB-476-HD-2

Submitted on: 2/23/2021 1:59:59 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Robert Anderson	Individual	Oppose	No

Comments:

enough already 50% tax is insane.

HB-476-HD-2

Submitted on: 2/23/2021 2:00:25 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Teddy Kim	Individual	Oppose	No

Comments:

I oppose this bill.

To whom it may concern,

I am opposing the current bill (HB476) that will destroy the vaping industry here in Hawaii and put hundreds of people out of jobs. Our goal for public health is to have people quit smoking traditional tobacco cigarette which is the #1 cause of cancer here in America.

Yet our own Government demonize this new technology which has helped millions of Americans make the switch and drastically improving their health. If this bill were to pass, the industry will be dead, business will go out and people will go back to smoking traditional tobacco cigarettes.

The government already has strict guidelines vape shops must follow, or heavy fine will be applied or even jail time. Yet they are somehow made the enemy of public health. Meanwhile alcohol / flavored alcohol can be advertised online/TV Commercials/Super Bowl and sold in supermarkets.

I implore you to take your time and review these bills that could possibly destroy something that in my opinion, a PUBLIC HEALTH MIRACLE. Especially at a time when the PANDEMIC is still killing thousands of people and putting thousands of others out of jobs.

Vinh Tran,

Resident of Honolulu, Hawaii.

HB-476-HD-2

Submitted on: 2/23/2021 2:08:11 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Eric Heaukulani	Individual	Oppose	No

Comments:

I strongly oppose this bill.

HB-476-HD-2

Submitted on: 2/23/2021 2:08:49 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jinna Kim	Individual	Oppose	No

Comments:

Hello,

I would like to oppose this Bill. During these hard times due to the Pandemic. More busniesses will close down and more people will not have jobs. It will cause people to move out of State due to not being able to reliable jobs.

HB-476-HD-2

Submitted on: 2/23/2021 2:10:06 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
VALENTINO MIRANDA-KEPA	Individual	Oppose	No

Comments:

Aloha,

Please Oppose bill HB476. We do not need a Tax Increase for Vaping I feel if the State put forward a Strict Possession Law for Under Age for Tobacco or Vape products that will hinder under age use. Do not punish law abiding Adults for an under age epidemic.

Thanks

Valentino Miranda-kepa

HB-476-HD-2

Submitted on: 2/23/2021 2:12:42 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
tania faris	Individual	Oppose	No

Comments:

Aloha,

Please Oppose bill HB476. We do not need a Tax Increase for Vaping I feel if the State put forward a Strict Possession Law for Under Age for Tobacco or Vape products that will hinder under age use. Do not punish law abiding Adults for an under age epidemic.

Thanks

HB-476-HD-2

Submitted on: 2/23/2021 2:21:27 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Randi D	Individual	Oppose	No

Comments:

Aloha,

Please Oppose bill HB476. We do not need a Tax Increase for Vaping I feel if the State put forward a Strict Possession Law for Under Age for Tobacco or Vape products that will hinder under age use. Do not punish law abiding Adults for an under age epidemic.

Thanks

HB-476-HD-2

Submitted on: 2/23/2021 2:44:29 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Joseph Sarabia	Individual	Oppose	No

Comments:

Support small businesses, support a healthier alternative, don't give in to the media hype on anything vape-related. This tax would for sure be the demise of the vaping industry. As an ex-smoker and a community member of Hawaii do not take away something that has helped me for so long. Do not give in to the tobacco industry and all the financial burdens/ health burdens they've already caused so many. See that this has helped hundreds of thousands of people and will continue to do so as long as it doesn't cost an arm and a leg to use it. Forcing ex-smokers to have no choice but to go back to smoking is willingly helping in their death. I oppose this bill and hope you will too.

HB-476-HD-2

Submitted on: 2/23/2021 2:51:37 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Erin Alicia Wiggins	Individual	Oppose	No

Comments:

I oppose

HB-476-HD-2

Submitted on: 2/23/2021 2:54:54 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Erina Y	Individual	Oppose	No

Comments:

Dear Chair and Committee Members

I am very strongly opposed to all of the vaping bills that are in committees this year.

Cigarettes contain over 4000 chemicals, 43 known carcinogens, and 400 toxins. Science states that it is not the nicotine that kills, it is the tar that sticks to your lungs. Vaping has been proven to be at least 95% less harmful than cigarettes and many new reputable, peer-reviewed scientific studies prove this and these scientists have no agenda as to how the outcome will be. I have yet to figure why the Health Care Organizations want to keep quoting irrelevant science reports.

I am asking you to please put our health and our Adult choices above trying to obtain more revenue from vaping. It saddens me to see all the taxes trying to be imposed on vaping. This could cause vaping to go underground which would mean that Hawaii will get less tax money coming in and will put people's lives in jeopardy by possibly obtaining products that are not safe. I don't want to be forced to buy unsafe products which will put even more burden on our health care system if people get sick or die from using the unsafe products.

If vape shops shut down it will also create even more burden on the system because people will be unemployed, there will be empty storefronts and people will lose the ability to keep on vaping unless they fly to a more vape friendly state. It will also be detrimental to the people who still smoke to be able to have another choice to try to quit along with all the Pharmaceuticals.

For the millions of Americans who find it difficult to quit smoking or are unwilling to forgo nicotine, the answer should not be "quit or die." Instead, policymakers would improve both public health and job creation by embracing a message of harm reduction paired with a respect for consumer choice. I will end by saying, I hope the voice of your community matters and you take their concerns seriously about this issue.

Mahalo,

A considered community member.

HB-476-HD-2

Submitted on: 2/23/2021 3:20:27 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Monique gunn	Individual	Oppose	No

Comments:

Oppose

HB 476, HD 2
Committee on Finance
March 25, 2021

Good Afternoon
Chair, Luke, Vice Chair Cullen, Members

I am Julian Lipsher, a member of the Coalition For a Tobacco Free Hawaii, testifying as a private citizen.

I am in support of the intent of HB 598, HD 2 and wish to offer recommendations that would create parity between the bill and language in existing tobacco/nicotine prevention and tobacco tax state statutes.

The proposed recommendations apply the language in HB 993 which:

- 1) Includes the terms e-liquid and e-cigarettes within the existing definitions of “Tobacco Products” currently in statutes relating to cigarettes and tobacco tax.
- 2) Establishes the same tax rate of 70% on “Other Tobacco Products” including those designated as “Modified Risk Tobacco Products” as currently exist.
- 3) Requires e-cigarette wholesalers to obtain a tobacco license and retailers to obtain a tobacco permit.

It is important to note that reductions in tobacco consumption/usage on “Other Tobacco Products” are best attained when the tax is raised to a level similar to the tax on traditional cigarettes. When that has occurred, we have seen usage rates among our middle and high school youth fall below national averages. Fewer smokers will save both healthcare costs and lives.

Further, studies point to a seven times higher chance of getting COVID-19 among e-cigarette users than those not using these devices.

This is important as youth and young adults in Hawaii now have the highest COVID-19 infection rates among all age groups and where the 70% tax could have the greater impact to discourage use. This, along with the proposed recommended definitions and permitting and licensing requirements would constitute an optimum approach to achieving significant reductions in tobacco and nicotine use.

Thank you for the opportunity to testify.

HB-476-HD-2

Submitted on: 2/23/2021 4:03:48 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Pili	Individual	Oppose	No

Comments:

I oppose this bill.

HB-476-HD-2

Submitted on: 2/23/2021 4:35:11 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
mary santa maria	Individual	Support	No

Comments:

Dear Committe: While I support the intent of the bill in taxing electronic smoking devices as a tobacco tax, I advocate for tax parity and request a tax rate that is on par with other tobacco products (70% wholesale price). The original language of HB 598 would accomplish this. I do not recommend lowering the tax rate on any tobacco products, including so called modified risk tobacco products. All tobacco products, and their smoke/vapor pose risks.

Sincerely,

Mary Santa Maria

HB-476-HD-2

Submitted on: 2/23/2021 5:59:28 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Linda Weiner	Individual	Comments	No

Comments:

I am writing in regards to the E-cigarette Tax HB 476 that requires licensing and permitting of e-cigarette wholesalers and retailers, and imposes a 50% tax on modified risk tobacco products as well as a tax on cartridges. I am urging that the House impose a 75% tax on the wholesale price of all so-called modified risk tobacco products, the same as regular tobacco products. Electronic tobacco products have a concentrated nicotine amount, similar to smoking multiple cigarettes. This predisposes the user to become addicted to the nicotine content. Medical research has demonstrated that e-cigarettes are actually a gateway to regular cigarette smoking, due to the nicotine addiction. In addition, e-cigarettes are associated with severe lung disease, and even death (EVALI) in young users. The goal is to prevent young people from becoming users of electronic tobacco products, for which high taxation would be a disincentive. There is no reason to tax electronic tobacco products at a lower rate than regular tobacco products.

Linda Weiner, MD

Pediatrics

Kalaheo, Kauai

HB-476-HD-2

Submitted on: 2/23/2021 7:10:01 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
francis luu	Individual	Oppose	No

Comments:

I oppose this bill, because i own 2 vape shops and were just getting by, with this tax it will be hard to stay in business.

HB-476-HD-2

Submitted on: 2/23/2021 7:19:16 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Hoku	Individual	Oppose	No

Comments:

I oppose this bill.

HB-476-HD-2

Submitted on: 2/23/2021 8:31:25 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Brittany Libre	Individual	Oppose	No

Comments:

I was a cigarette smoker before. I'm afraid if you ban vaping I will go back to smoking regular cigarettes.

HB-476-HD-2

Submitted on: 2/23/2021 8:54:22 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kathleen Koga	Individual	Support	No

Comments:

I support HB 476, HD2 that would establish taxes for modified risk tobacco products and electronic smoking devices and require licensing and permitting for e-cigarette wholesalers and retailers.

Taxing tobacco products is an effective strategy to reduce tobacco use among youth; and deter children from experimenting with these harmful products and becoming addicted. Please consider amending this bill to create policy parity between electronic smoking devices and other tobacco products through the OTP tax which is 70% of the wholesale price.

Thank you for supporting policies to protect the health and future of Hawaii's youth. Please ensure that all tobacco products are taxed similarly by not taxing e-cigarettes or modified risk tobacco products at a lower rate.

Mahalo for the opportunity to testify on HB 476, HD2.

HB-476-HD-2

Submitted on: 2/23/2021 9:08:47 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
ASHLEY MATTOS	Individual	Oppose	No

Comments:

I oppose this bill!!

HB-476-HD-2

Submitted on: 2/23/2021 9:10:12 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Clayton Silva	Individual	Oppose	No

Comments:

Leave our e-cigs alone. They help me smoke less and help my health.

HB-476-HD-2

Submitted on: 2/24/2021 5:55:59 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jessica Chang	Individual	Oppose	No

Comments:

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HB-476-HD-2

Submitted on: 2/24/2021 7:57:51 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Andy Takaaze	Individual	Oppose	No

Comments:

Stop wasting MY tax money on redundant laws. Enforce the already strict laws and focus on getting our state open and our economy booming again. You are doing a great disservice by creating more red tape for already struggling small businesss. STOP STOP STOP

HB-476-HD-2

Submitted on: 2/24/2021 8:22:02 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
micah Thronas viluan	Individual	Oppose	No

Comments:

Taxing on this is unreal why tax when you have other things to get to come on

HB-476-HD-2

Submitted on: 2/24/2021 8:34:47 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
jontae leonard	Individual	Oppose	No

Comments:

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HB-476-HD-2

Submitted on: 2/24/2021 8:35:39 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Katelyn Kapua	Individual	Oppose	No

Comments:

I oppose this bill.

HB-476-HD-2

Submitted on: 2/24/2021 8:36:37 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Naomi Muronaka	Individual	Oppose	No

Comments:

I oppose

HB-476-HD-2

Submitted on: 2/24/2021 9:14:49 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
HANALEI BENN	Individual	Oppose	No

Comments:

We don't need anymore laws!

In place the laws we already have instead of taking and spending our hard working tax money.

Focus on the laws that are already in place.

HB-476-HD-2

Submitted on: 2/24/2021 9:16:06 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
dillon rellez	Individual	Oppose	No

Comments:

I oppose this bill. We don't need more laws, how about open up the economy and just use the laws that are in place. Stop using our tax money for unnecessary rules and regulations.

HB-476-HD-2

Submitted on: 2/24/2021 9:35:40 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Makela Rincon	Individual	Oppose	No

Comments:

Oppose

HB-476-HD-2

Submitted on: 2/24/2021 10:39:26 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mikhaila Millikan	Individual	Oppose	No

Comments:

Adding taxes to these products will make them less accessible to those in the community seeking alternatives to conventional cigarettes. It will also encourage underground markets to open up which could bring unregulated products into the community, putting the health of the very people you are trying to protect at risk.

HB-476-HD-2

Submitted on: 2/24/2021 10:51:43 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mariner Revell	Individual	Oppose	No

Comments:

Please no new taxes! As you all know COVID has wrecked both Hawaii businesses and residents. The burden of a 50% tax would shut down many if not all of Hawaii small businesses that specialize in Ecigs! Please support us locals not punish us with taxes and kill our businesses!

HB-476-HD-2

Submitted on: 2/24/2021 11:10:00 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Theresa Revell	Individual	Oppose	No

Comments:

Honorable Representatives,

I strongly oppose HB476. Please vote against these unnecessary changes to existing laws. If implemented, these laws and taxes will create an even bigger burden to small business owners who already must follow strict rules and regulations.

Respectfully submitted,

Theresa Revell

HB-476-HD-2

Submitted on: 2/24/2021 11:11:32 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Robert Riley	Individual	Oppose	No

Comments:

No agree

HB-476-HD-2

Submitted on: 2/24/2021 11:19:26 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
candice costales	Individual	Oppose	No

Comments:

I oppose to this bill because it is unnecessary to raise taxes on eliquids for wholesalers and the people. Vaping is a good alternative to smoking cigarettes.

HB-476-HD-2

Submitted on: 2/24/2021 2:02:29 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Maika Michioka	Individual	Oppose	No

Comments:

I have been smoking cigarettes since i was 13yrs old & vaping helped me from coughing & really unhealthy lungs, to having healthier lungs & I can finally breathe again. Do not let this pass through as a ex-smoker saying that this is a way better solution than cigarettes not to to mention that cigarettes has way more chemicals & toxics that can hurt you within just one cigarette!

AMERICANS for TAX REFORM

February 24 2021

To: Hawaii House Committee on Finance
From: Americans for Tax Reform

Dear Representative,

On behalf of Americans for Tax Reform (ATR) and our supporters across Hawaii, I urge you to reject HB 598 and HB 476, **misguided legislation that seeks to impose taxes upon life-saving, reduced risk tobacco alternatives, such as electronic cigarettes and other vapor products. If enacted, these bills would not only harm small businesses, but would also have a disastrous impact on public health throughout the Aloha State, and lead to an increase in tobacco-related deaths.**

Aside from the public health harm caused by increasing taxes on a product proven to save lives, this bill would also cause considerable economic harm, particularly given the current pandemic-related economic downturn. Even former President Barack Obama remarked when he was in office: "The last thing you want to do is raise taxes in the middle of a recession because that would just suck up, take more demand out of the economy and put businesses in a further hole." **Yet HB 598 and HB 476 fly in the face of that sage advice from the 44th President.**

Rather than repeating the failed policies of the past and continuing to punish low-income smokers, who are unable to quit nicotine, with another tax increase, the Hawaii Legislature should embrace new methods that are proven to help reduce smoking rates, and aid those looking to quit by allowing tobacco alternatives, such as e-cigarettes, to remain within financial reach.

E-cigarettes have been overwhelmingly proven to be 95% safer than combustible cigarettes, and twice as effective as more traditional nicotine replacement therapies. It must be stressed that the negative effects of smoking combustible tobacco come not from the nicotine, a relatively benign, yet highly addictive substance much like caffeine, but rather the chemicals produced during the combustion process – “people smoke for the nicotine but die from the tar.” Scientific data shows that the blood levels typically achieved by consuming nicotine via harm reduction products **“does not result in clinically significant short- or long-term harms”** which is why smokers have been using nicotine replacement therapies (NRT) for decades without incident. For this reason, over 30 of the **world’s leading public health organizations** have endorsed nicotine vaping as safer than smoking and an effective way to help smokers quit. This list includes Cancer Research UK; the British Medical Association; the British Lung Foundation; the New Zealand Minister of Health; the US National Academies of Sciences, Engineering, and Medicine; the American Association of Public Health Physicians; the Royal Australian College of Physicians; the French National Academy of Pharmacy; and the German Federal Institute for Risk Assessment.

Furthermore, a recent study performed by researchers at the University of Glasgow has shown that e-cigarettes **particularly help disadvantaged persons quit smoking.** The impacts of this on health inequalities would be monumental, however measures like HB 598 and HB 476 would widen even further these socioeconomic disparities in health. Another recent analysis by Public Health England offers more evidence in favor of vapor products as an indispensable tool to help smokers quit. In 2017, over **50,000 British smokers stopped smoking** with a vaping product who would have continued smoking otherwise.

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Taxing safer products at an equal rate, thereby failing to incentivize people to move away from deadly alternatives, goes against every principle of sound public or health policy. As the price of a product increases, it is likely that its use decreases. In previous instances, levying taxes on vaping products has been proven to increase smoking rates as people shift back to deadly combustible cigarettes. **Minnesota is serving as a case study on this already. After the state imposed a tax on vaping products, it was determined that the tax increased adult smoking and prevented 32,400 additional adult smokers from quitting smoking.**

Extrapolating from a large-scale analysis by the US's leading cancer researchers and coordinated by Georgetown University Medical Centre, **if a majority of smokers in the state of Hawaii made the switch to vaping, over 40,000 lives would be saved.** In seeking to tax these life-saving products, these bills place these lives in jeopardy. Small increases in projected revenue should never come at the expense of human lives.

For the reasons outlined above, in the interests of public health, and protecting the most vulnerable in society from financial hardship at a time they can least afford it, we call upon the Committee to accept the science and vote against HB 598 and HB 476. Tens of thousands of lives depend upon it.

Sincerely,

Tim Andrews
Director of Consumer Issues
Americans for Tax Reform

HB-476-HD-2

Submitted on: 2/24/2021 5:25:29 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Chris C.K. Arakaki	Individual	Oppose	No

Comments:

Please don't pass this bill. These high taxes hurt working people.

HB-476-HD-2

Submitted on: 2/24/2021 8:28:03 PM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Bryan Mih	Individual	Comments	No

Comments:

Dear Representatives:

As a pediatrician and medical director of the Kapi'olani Smokefree Families Program, I would like to comment on this bill.

Electronic smoking devices are used in a similar manner as cigarettes, yet are not taxed as such. The American Academy of Pediatrics strongly supports regulation and taxation of electronic smoking devices to prevent initiation of use, especially by young people.

Hawaii has one of the highest rates of middle schoolers (16%) and high schoolers (26%) currently using e-cigarettes—it is twice the national average. Nicotine is a highly addictive drug that impacts the adolescent brain, reducing impulse control and affecting mood. Those who use e-cigarettes are four times more likely to smoke regular cigarettes later on. The e-cigarette industry claims these are cessation devices, but a recent study has shown that even if one adult can quit with these devices, the trade-off is 81 young people who will start the habit in their place. This is completely unacceptable.

Once young people are addicted to nicotine, it is extremely difficult to quit. By appropriately regulating and taxing these products, we have the chance to improve the health of many, especially of our keiki.

All electronic smoking devices and their components should be subject to a tobacco tax, and at a tax rate that is on par with other tobacco products. Please close the loophole for electronic smoking devices and any modified-risk tobacco products, as all tobacco products pose harm to health.

Mahalo for your consideration.

Sincerely,

Bryan Mih, MD, MPH, FAAP

Pediatrician

HB-476-HD-2

Submitted on: 2/25/2021 5:51:49 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ned Garcia	Individual	Oppose	No

Comments:

Is this tax increase just intended to inflame voters?

HB-476-HD-2

Submitted on: 2/25/2021 5:54:53 AM

Testimony for FIN on 2/25/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Bill Patterson	Individual	Oppose	No

Comments:

Strongly opposed to Hb476. Taxes too high already. I will remember what happens here next election.