

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

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

To: The Honorable Sylvia Luke, Chair;
The Honorable Kyle T. Yamashita, Vice Chair;
and Members of the House Committee on Finance

From: Isaac W. Choy, Director
Department of Taxation

Date: Wednesday, April 6, 2022
Time: 2:45 P.M.
Place: Via Video Conference, State Capitol

Re: S.B. 2376, S.D. 1, Relating to Tobacco Taxes

The Department of Taxation (Department) supports S.B. 2376, S.D. 1, and offers the following comments for your consideration.

S.B. 2376, S.D. 1, amends chapter 245, Hawaii Revised Statutes (HRS), to repeal all portions related to the “deferred payment purchase” provisions related to purchase of required cigarette tax stamps. Included in these provisions are portions of sections 245-26, 245-27, 245-28, 245-29, and 245-30, HRS. These sections encompass portions related to the availability of deferred payment, maximum amount of deferred payment, time for payment of deferred payment purchases, suspension or reduction of privileges related to deferred payment, and penalties for failure to make timely payments. The measure takes effect on January 1, 2023.

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

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TOBACCO, Eliminates Deferred Payment Option for Tax Stamps

BILL NUMBER: SB 2376 SD 1

INTRODUCED BY: Senate Committee on Ways & Means

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

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

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

EFFECTIVE DATE: January 1, 2023

STAFF COMMENTS: According to testimony from the Department of Taxation, the deferred payment purchase of cigarette stamps is no longer necessary. Having the taxpayer pay upon purchase is more efficient and this measure will eliminate unnecessary burdens to better streamline the administration of this program.

We generally concur with the proposition that the Department of Taxation is not supposed to be a bank. Taxes should be payable when the privilege for which they pay is exercised. If the privilege is the right to sell tobacco products and the privilege is evidenced by cigarette stamps, we have no problem with a bill providing that payment needs to be made when the stamps are delivered.

Digested: 2/14/2022