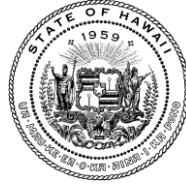


DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
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To: The Honorable Donovan M. Dela Cruz, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;  
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director  
Department of Taxation

Date: Friday, February 18, 2022  
Time: 10:00 A.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

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126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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**SUBJECT:** TOBACCO, Eliminates Deferred Payment Option for Tax Stamps

**BILL NUMBER:** SB 2376 SD 1

**INTRODUCED BY:** Senate Committee on Commerce & Consumer Protection

**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