

**STATE OF HAWAII**  
**DEPARTMENT OF HEALTH**  
**KA 'OIHANA OLAKINO**  
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**Testimony in SUPPORT of H.B. 2504, H.D. 2**  
**RELATING TO CIGARETTE TAXES**

SENATOR JOY A. SAN BUENAVENTURA, CHAIR  
SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES

SENATOR DONNA MERCADO KIM, CHAIR  
SENATE COMMITTEE ON HIGHER EDUCATION

Hearing Date: March 20, 2024

Room Number: Conference Room 225  
and via Videoconference

1 **Fiscal Implications:** The fiscal impact of an increase in excise tax on cigarettes in Hawaii would  
2 result in increases in state tax revenues while at the same time leading to reductions in  
3 cigarette consumption and chronic disease and health care spending, including Medicaid  
4 spending in the state.

5 **Department Position:** The Department of Health (DOH) supports this measure requested by  
6 the Governor as both a health equity and social justice issue to address the burden of tobacco  
7 use in Hawaii.

8 **Department Testimony:** The DOH supports House Bill 2504, House Draft 2 (H.B. 2504, H.D. 2)  
9 which would impose a floor inventory tax of an unspecified amount on the inventory of  
10 cigarettes and little cigars before an increase in the cigarette tax takes effect, changes the  
11 cigarette tax rate and the disposition of revenues to unspecified amounts for each cigarette or  
12 little cigar sold, used, or possessed by a wholesaler or dealer on and after July 1, 2024, whether

1 or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or  
2 dealer.

3 According to the U.S. Surgeon General, increasing the price of tobacco products is the  
4 single most effective way to reduce consumption.<sup>1</sup> A ten percent increase in price has been  
5 estimated to reduce overall cigarette consumption by 3-5%.<sup>2</sup> Research also suggests that both  
6 youth and young adults are two to three times more likely to respond to increases in price than  
7 adults.<sup>3</sup>

8 The burden of tobacco use is inequitably felt by Hawaii's communities and population  
9 groups. Due to the intentional marketing practices of the tobacco industry, Native Hawaiian  
10 (16.5%), individuals who identify as LGBT (12.3%), those who are of low socioeconomic status  
11 (20.3%), and those with behavioral health conditions (19.7%) or substance use disorders  
12 (17.5%) have higher smoking prevalence than the state average (10.1%).<sup>4</sup>

13 Cigarette smoking persists as the leading cause of preventable death nationally<sup>5</sup> and is  
14 linked to heart disease, cancer, and stroke which were also the leading causes of death in  
15 Hawaii in 2021.<sup>6</sup> Each year an estimated 1,400 Hawaii adults die from smoking.<sup>7</sup> The Centers  
16 for Disease Control and Prevention estimates that smoking causes approximately 90% of all

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<sup>1</sup> HHS, Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General, 2012, <http://www.surgeongeneral.gov/library/reports/preventing-youth-tobacco-use/full-report.pdf>

<sup>2</sup> HHS, Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General, 2012, <http://www.surgeongeneral.gov/library/reports/preventing-youth-tobacco-use/full-report.pdf>

<sup>3</sup> HHS, Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General, 2012, <http://www.surgeongeneral.gov/library/reports/preventing-youth-tobacco-use/full-report.pdf>

<sup>4</sup> Hawai'i Health Data Warehouse – BRFSS (2021)

<sup>5</sup> U.S. Department of Health and Human Services. [The Health Consequences of Smoking—50 Years of Progress: 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, 2014 [accessed 2017 Apr 20].

<sup>6</sup> HHDW. New: Leading Causes of Death Report Series. November 1, 2023. <https://hhdw.org/na-leading-causes-of-death-reports/>

<sup>7</sup> Campaign for Tobacco-Free Kids. Toll of Tobacco in Hawaii. November 21, 2023. <https://www.tobaccofreekids.org/problem/toll-us/hawaii>

1 lung cancer deaths and 80% of all deaths from chronic obstructive pulmonary disease  
2 (COPD).<sup>8,9</sup>

3 Cigarette smoking also takes a financial toll on the state. The annual estimated health  
4 care costs directly caused by smoking in Hawaii is \$611 million.<sup>10</sup> Smoking-caused government  
5 expenditures result in a tax burden of \$983.00 per household and \$1.1 billion in lost  
6 productivity in Hawaii.<sup>11</sup>

7 The World Health Organization (WHO) recommends that tobacco taxes should be raised  
8 significantly and at regular intervals to ensure that tobacco products do not become more  
9 affordable.<sup>12</sup> The last cigarette tax increase in Hawaii was 13 years ago in 2011<sup>13</sup> and there was  
10 an observed decrease in high school cigarette use from years prior and continued steadily  
11 thereafter.<sup>14</sup> The DOH supports H.B. 2504, H.D. 2 to increase the excise tax on cigarettes and  
12 little cigars and defers to the request from the Governor and University of Hawaii System  
13 regarding allocation of revenues.

14 **Offered Amendments:** None

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

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<sup>8</sup> U.S. Department of Health and Human Services. [The Health Consequences of Smoking—50 Years of Progress: 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, 2014 [accessed 2017 Apr 20].

<sup>9</sup> U.S. Department of Health and Human Services. [How Tobacco Smoke Causes Disease: What It Means to You](#). 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, 2010 [accessed 2017 Apr 20].

<sup>10</sup> Campaign for Tobacco-Free Kids. The Toll of Tobacco in Hawaii. November 21, 2023. <https://www.tobaccofreekids.org/problem/toll-us/hawaii>

<sup>11</sup> Campaign for Tobacco-Free Kids. The Toll of Tobacco in Hawaii. November 21, 2023. <https://www.tobaccofreekids.org/problem/toll-us/hawaii>

<sup>12</sup> *Raise taxes on tobacco*. (n.d.). Retrieved January 31, 2024, from <https://www.who.int/data/gho/data/themes/topics/raise-taxes-on-tobacco>

<sup>13</sup> Act 192, H.B. 2542, C.D. 1, SLH 2010, retrieved 2/01/24 from [https://www.capitol.hawaii.gov/sessions/session2010/bills/HB2542\\_CD1\\_.pdf](https://www.capitol.hawaii.gov/sessions/session2010/bills/HB2542_CD1_.pdf)

<sup>14</sup> HHDW. (2005-2021). Youth Risk Behavior Survey (YRBS) Current smoking- high school. [https://hhdw.org/report/query/result/yrbs/CigsCurr/CigsCurr\\_HS\\_ST.html](https://hhdw.org/report/query/result/yrbs/CigsCurr/CigsCurr_HS_ST.html)

JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
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**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 2504, H.D. 2, Relating to Cigarette Taxes.

**BEFORE THE:**

Senate Committees on Health and Human Services and Higher Education

**DATE:** Wednesday, March 20, 2024

**TIME:** 1:02 p.m.

**LOCATION:** State Capitol, Room 225

Chairs San Buenaventura and Kim, Vice-Chairs Aquino and Kidani, and Members of the Committees:

The Department of Taxation ("Department") offers the following comments regarding H.B. 2504, H.D. 2, for your consideration.

H.B. 2504, H.D. 2, makes three amendments to chapter 245, Hawaii Revised Statutes (HRS), which governs the State's cigarette tax and tobacco tax.

Section 1 amends chapter 245, HRS, to create a cigarette floor inventory tax. The tax would be imposed on the stock inventory of cigarettes held by the licensee from the effective date of the Act establishing the cigarette tax increase until the increased rate is assessed and levied. The rate of the cigarette floor inventory tax is unspecified.

Section 2 of the measure amends section 245-3, HRS, to increase the tax rate on each cigarette and little cigar sold, used, or possessed by a wholesaler or dealer from 16.00 cents per unit sold on or after July 1, 2011, to an unspecified amount per unit sold on or after July 1, 2024.

Section 3 of the measure amends section 245-15, HRS, so that revenues from the new rate of tax are deposited after June 30, 2024 as follows:

(A) An unspecified amount per cigarette to the Hawaii Cancer Research

Special Fund pursuant to section 304A-2168, HRS;

- (B) An unspecified amount per cigarette, but not more than an unspecified amount in a fiscal year, to the Trauma System Special Fund pursuant to section 321-22.5, HRS;
- (C) An unspecified amount per cigarette, but not more than an unspecified amount in a fiscal year, to the Community Health Centers Special Fund pursuant to section 321-1.65, HRS; and
- (D) An unspecified amount per cigarette, but not more than an unspecified amount in a fiscal year, to the Emergency Medical Services Special Fund pursuant to section 321-234, HRS.

H.B. 2504, H.D.1, has a placeholder effective date of July 1, 3000.

The Department recommends delaying the required filing of cigarette tax floor returns from “December 1 of the year before the rate increase is scheduled to take effect” to “the twentieth day in the month of the effective rate increase.”

The Department notes that it will need time to make the necessary form and system changes to implement the new cigarette tax rate. Accordingly, the Department requests that the bill be amended so that the new tax rate will take effect on January 1, 2025. Specifically, the Department requests the following amendments:

1. On page 4, line 14, replace "July 1, 2024" with "January 1, 2025";
2. On page 9, line 20, replace "July 1, 2024" with "January 1, 2025"; and
3. On page 10, line 20, replace "June 30, 2024" with "December 31, 2024".

Additionally, if a functional effective date is inserted, the Department requests that the bill take effect on July 1, 2024. Thank you for the opportunity to provide comments on this measure.

**HB-2504-HD-2**

Submitted on: 3/19/2024 1:31:05 PM

Testimony for HHS on 3/20/2024 1:02:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Pedro Haro	Testifying for American Lung Association in Hawaii	Support	In Person

Comments:

**TO:**

COMMITTEE ON HEALTH AND HUMAN SERVICES

Senator Joy A. San Buenaventura, Chair

Senator Henry J.C. Aquino, Vice Chair

COMMITTEE ON HIGHER EDUCATION

Senator Donna Mercado Kim, Chair

Senator Michelle N. Kidani, Vice Chair

**FROM:**

Pedro Haro,

Executive Director

American Lung Association in Hawaii

RE: TESTIMONY IN SUPPORT OF HOUSE BILL 2504, HOUSE DRAFT 2 RELATING TO CIGARETTE TAXES

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 Hawai'i 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 strongly supports House Bill 2504, House Draft 2 and urges its passage.

Funding for the University of Hawaii Cancer Center is paramount due to its critical role in addressing the pressing health needs of our community. With a significant number of individuals in Hawaii being diagnosed with cancer each year, the UH Cancer Center's research, treatment, and educational initiatives are vital in combating this disease. By providing access to cutting-edge treatments, including clinical trials, the UH Cancer Center not only saves lives but also contributes to advancing our understanding of cancer and improving outcomes for patients.

Furthermore, the UH Cancer Center serves as a beacon of hope for our multi-ethnic population, offering tailored approaches to address the unique challenges faced by diverse communities in Hawaii and the Pacific region. Increased funding for the UH Cancer Center would enhance its capacity to conduct groundbreaking research, expand access to life-saving treatments, and bolster community outreach and education efforts.

Increasing tobacco taxes to fund cancer research is crucial for several reasons. Firstly, tobacco use is the leading cause of preventable cancer and other health problems, and raising taxes on tobacco products has been proven to decrease tobacco consumption. By reducing the prevalence of smoking, we can directly lower the incidence of smoking-related cancers, such as lung, throat, and mouth cancers.

Secondly, funding cancer research through tobacco taxes creates a direct link between the cause of many cancers and efforts to combat them. It's a proactive approach to addressing the root of the problem, using the revenue generated from tobacco sales to invest in research that aims to prevent, detect, and treat cancer effectively.

Additionally, investing in cancer research through tobacco taxes aligns with the principle of social responsibility. Tobacco companies profit from selling products that cause immense harm to individuals and society as a whole. By imposing higher taxes on tobacco products and allocating the revenue to cancer research, we can hold these companies accountable for the harm they cause and ensure that some of the financial burden they impose on healthcare systems is mitigated.

Moreover, funding cancer research through tobacco taxes has the potential to save lives and reduce healthcare costs in the long run. By discovering more effective treatments, early detection methods, and prevention strategies, we can decrease the overall burden of cancer on individuals, families, and society. This, in turn, can lead to savings in healthcare expenditures associated with cancer treatment and care.

The American Lung Association in Hawai'i strongly supports the efforts proposed in HB2504 and encourages your respective committees to pass this important piece of legislation.



# UNIVERSITY OF HAWAII SYSTEM

## ‘ŌNAEHANA KULANUI O HAWAII

### Legislative Testimony

### Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the  
Senate Committee of Health and Human Services  
Senate Committee on Higher Education  
Wednesday, March 20, 2024 at 1:02 p.m.

By  
Naoto Ueno  
Director, UH Cancer Center  
And  
Michael Bruno  
Provost  
University of Hawai'i at Mānoa

#### HB 2504 HD2 – RELATING TO CIGARETTE TAX

Chairs San Buenaventura and Kim, Vice Chairs Aquino and Kidani, and Members of the Committees:

Thank you for the opportunity to present our testimony today. The UH Cancer Center is in **strong support** of HB 2504 HD2, which increases the cigarette tax from \$0.16 to \$0.18 per cigarette. Currently, the cigarette tax revenues are allocated where \$0.02 supports Hawai'i's Cancer Center. The bill would provide for an additional \$.02 in the cigarette tax amount allocated to the Hawai'i cancer research special fund (for a total of \$0.04 per cigarette).

This funding has been instrumental since its inception in 2006, enabling the construction of the UH Cancer Center building and launching strategic initiatives to combat cancer. However, due to the success of smoking cessation efforts, this revenue has declined, indicating both progress in public health and a concerning decrease in resources for the initiatives that have fueled this advancement. Now providing less than half the funding compared to that of 2009, this source of revenue is no longer able to support its original intent to provide a top-notch facility and to invest in the most promising research impacting the burden of cancer in Hawai'i and the Pacific.

The implications of the proposed increase are profound, empowering UH Cancer Center to attract and retain top-tier scientists and clinicians, thus expanding our capacity to conduct groundbreaking research and deliver cutting-edge patient care.

The return on this investment is multifold:

#### **Investment in Tobacco Research is an Investment in the Health and Wellbeing of Our Community.**

This funding has supported and provided the infrastructure for developing evidence-based programs to understand the health behaviors underlying tobacco use, including:

- developing and testing culturally-tailored interventions to promote smoking cessation among Native Hawaiians, Pacific Islanders, Asian Americans, and low-income populations;



- conducting longitudinal studies on the patterns, predictors, and consequences of e-cigarette use among adolescents and young adults in Hawai'i;
- evaluating the impact of tobacco control policies, such as smoke-free laws, tobacco taxes, and minimum legal age of sale, on tobacco use behaviors and health outcomes;
- providing evidence-based knowledge to inform public health officials and regulatory authorities on how to regulate tobacco products effectively and in a way that best serves individuals and public health;
- conducting tobacco-related research to advance health equity and prevent the initiation of tobacco use among youth and young adults.

### **Investment in the UH Cancer Center is an Investment in Economic Growth.**

The UH Cancer Center attracts federal grants and collaboration that contribute to our local economy. It positions Hawai'i as a leader in cutting-edge cancer research and clinical care that serves our community and generates revenues from patients seeking treatment and care customized to the needs of our diverse Pacific Asian populations.

Funding the UH Cancer Center enables it to provide for:

- attracting committed and world-class researchers and clinical investigators with start-up packages for new faculty recruits who will bring federal grants and propel groundbreaking discoveries in cancer prevention, treatment, and care ;
- addressing the shortage of specialized oncology practices in Hawai'i;
- Attracting pharmaceutical companies partnering with UH Cancer Center and hospitals to fund clinical trials for patients in Hawaii, Asia, and the Pacific regions.

### **Investment in the UH Cancer Center Paves A New Way Forward in Research and Cancer Care.**

We firmly believe that now is the time to prioritize cancer research and demonstrate our commitment to improving the health and well-being of our communities and providing the best treatment for our patients. It impacts the community by providing better quality cancer treatment and prevention by recruiting disease expert cancer doctors rather than general oncologists. By directing additional funds towards cancer research and clinical trials, we can harness the full potential of UH Cancer Center and foster an environment where innovative cancer treatments and prevention are developed, benefiting cancer patients statewide and the community we serve.

Based on the above, we believe that an increased allocation of 2 cents per cigarette tax is well spent to keep Hawai'i at the forefront of cancer research and ensure that our communities receive the care and resources they deserve. Prioritizing UH Cancer Center through this tax reallocation is not merely a fiscal decision but a statement of our collective commitment to the health and prosperity of Hawai'i's people. The benefits of this investment will resonate far beyond the immediate fiscal year, marking a steadfast path toward a future where cancer can be effectively combatted.

Thank you for this opportunity to testify.



**HB2504 HD2 Cigarette Taxes**  
**COMMITTEE ON HEALTH AND HUMAN SERVICES**

Senator Joy A. San Buenaventura, Chair  
Senator Henry J.C. Aquino, Vice Chair

**COMMITTEE ON HIGHER EDUCATION**

Senator Donna Mercado Kim, Chair  
Senator Michelle N. Kidani, Vice Chair

Wednesday, Mar 20, 2024: 1:02: Room 225 Videoconference

**Hawaii Substance Abuse Coalition Supports HB2504 HD2:**

*ALOHA CHAIR, VICE CHAIR, AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization for substance use disorder and co-occurring mental health disorder treatment and prevention agencies and recovery-oriented services.*

**HSAC supports the increase in cigarette taxes, which helps to discourage youth use. We recommend increases by \$1.00**

HSAC supports that tax funds to the Hawaii Cancer research special fund, up to \$7.4M for the trauma system special fund, up to \$8.8M to the Community Health Centers and up to \$8.8M to the emergency medical services special fund.

**HSAC advocates that some of the tax be allocated to the Tobacco Cessation programs to support their work.**

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

Wednesday, March 20, 2024; 1:02 pm  
Conference Room 225 & Videoconference

**Senate Committee on Health and Human Services**

To: Senator Joy San Buenaventura, Chair  
Senator Henry Aquino, Vice Chair

**Senate Committee on Higher Education**

To: Senator Donna Mercado Kim, Chair  
Senator Michelle Kidani, Vice Chair

From: Ray Vara  
President & CEO

**Re: Testimony in Support of HB 2504, HD2  
Relating To Cigarette Taxes**

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My name is Ray Vara and I am the President and CEO of Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawai'i.

**I write in support of HB 2504, HD2** which, among changes to the law, increases the cigarette tax by an unspecified amount and allocates the increase in the cigarette tax amount to the Hawai'i Cancer Research special fund. We respectfully request that the cigarette tax be increased by a minimum of 2 cents as specified in the original form of the bill.

The University of Hawai'i Cancer Research Center (Cancer Center) is the only institution in the Pacific that holds the prestigious National Cancer Institute (NCI) designation. The Cancer Center is one of only 72 NCI designated institutions in the US. The NCI designation gives the people of Hawai'i and the Pacific region access to innovative and potentially life-saving clinical trials without the necessity of traveling to the mainland. The Cancer Center is in a unique position to study and address the multi-ethnic causes of cancer and implement culturally tailored interventions and studies aimed at understanding and combating cancer in Hawai'i's diverse population.

The decline in cigarette tax revenue has been due to successful cessation programs in which the Cancer Center has been a collaborative partner. This underscores the need

for sustained state support to continue these vital efforts. The declining revenue from the cigarette tax which has resulted from declining cigarette sales has had a negative impact on the Cancer Center's ability to maintain the cutting-edge research it is engaged in. Unless the Cancer Center can compensate for the loss of revenue and obtain the additional funds it will not be in a position to grow its research capacity, attract world-class researchers and clinical investigators, address specialized oncology practice shortages, attract partnerships for clinical trials, and support its ongoing early phase clinical trials.

The incidence of cancer is increasing significantly and could double during the next twenty years. The additional revenue generated by the modest increase in the cigarette tax will allow the Cancer Center to continue to provide innovative clinical trials to Hawai'i residents to prevent and treat cancer and to ensure the Cancer Center's long-term success in addressing cancer-related challenges for patients in Hawai'i and the Pacific region.

Thank you for the opportunity to testify.



Committee on Health and Human Services  
Senator Joy A. San Buenaventura, Chair  
Senator Henry J.C. Aquino, Vice Chair

Senator Donna Mercado Kim, Chair  
Senator Michelle Kidani, Vice Chair  
Members of Senate Committee on Higher Education

Hearing Date: Wednesday, March 20, 2024

**ACS CAN SUPPORTS HB 2504 HD2 – RELATING TO CIGARETTE TAXES.**

Cynthia Au, Government Relations Director – Hawai‘i Guam  
American Cancer Society Cancer Action Network

Thank you for the opportunity to **SUPPORT** HB 2504 HD2: Relating to Cigarette Taxes.

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 increased funding for the University of Hawai‘i Cancer Center. This year, 8,670 people from Hawai‘i will be diagnosed with cancer. The UH Cancer Center provides important cancer research, access to life-saving treatment including clinical trials which play a critical role in reducing the cancer burden for multi-ethnic residents. Sustainability of the National Cancer Institute (NCI) designated UH Cancer Center is vital for cancer screening, prevention, treatment, and education, significantly reducing the cancer burden in Hawai‘i and the Pacific.

Should you have any questions, please do not hesitate to contact Government Relations Director Cynthia Au at [Cynthia.Au@Cancer.org](mailto:Cynthia.Au@Cancer.org) or 808.460.6109.



**LATE**

## HIPHI Board

Misty Pacheco, DrPH  
Chair  
University of Hawai'i at Hilo

Titiimaewa Ta'ase, JD  
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State of Hawai'i, Deputy Public Defender

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Treasurer  
Hale Makua Health Services

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Kathleen Roche, MS, RN, CENP  
Kaiser Permanente

Dina Shek, JD  
Medical-Legal Partnership  
For Children in Hawai'i

Garret Sugai  
HMSA

JoAnn Tsark, MPH  
John A. Burns School of Medicine,  
Native Hawaiian Research Office

## HIPHI Initiatives

Coalition for a  
Tobacco-Free Hawai'i

Community-Based Research &  
Evaluation

Community Health  
Worker Initiatives

COVID-19 Response

Environmental Health

Hawai'i Drug & Alcohol-Free  
Coalitions

Hawai'i Farm to School Hui

Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Collective/Healthy Aging  
& Community Living

Public Health Workforce  
Development

Date: March 19, 2024

To: Senator Joy A. San Buenaventura, Chair  
Senator Henry JC Aquino, Vice Chair  
Members of the Committee on Health and Human Services

Senator Donna Mercado Kim, Chair  
Senator Michelle N. Kidani, Vice Chair  
Members of the Committee on Higher Education

Re: Support HB2504 HD2, Relating to Tobacco Products

Hrg: Wednesday, March 20, 2024 at 1:02 PM

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The Coalition for a Tobacco-Free Hawai'i, a program of the Hawai'i Public Health Institute,<sup>i</sup> is in **Strong Support of HB2504 HD2**, which would raise the cigarette tax and deposit that extra revenue into the Cancer Research Special Fund.

### Protects youth.

Increasing tobacco taxes are a proven way to help reduce youth use. When the price of goods increases, price-sensitive youth buy them less. Nationally, every 10% increase in cigarette prices reduces youth smoking by about 7%.<sup>ii</sup> Hawai'i raised the cigarette tax over 12 years ago in 2011, a decline in youth use followed. In 2011, 10% of youth reporting currently using cigarettes. In 2019, 5% of youth reported currently using cigarettes.<sup>iii</sup>

### A comprehensive approach is necessary.

A variety of proven policies must be enacted to address tobacco use, raising the tobacco tax is one of them. Every year, tobacco-related diseases cost Hawai'i \$611M in healthcare costs, and 1,400 adults die from smoking.<sup>iv</sup> It is only through a comprehensive approach that we can address the harms of tobacco use in our communities.

### It is time.

The cigarette tax was last raised in July 2011. Although great strides have been made in tobacco prevention and control over the past twelve years, there is still more to do. 73% of registered Hawai'i support a \$1.00 tax increase for a pack of cigarettes.<sup>v</sup> Therefore, we support a tax increase of five cents a cigarette. Increasing cigarette taxes regularly will correct for inflation and consumer purchasing

power. Raising taxes is a proven strategy to reduce consumption on tobacco products. This increase helps to stop youth from using cigarettes, encourage adults to quit, and provide crucial funding for the Hawai'i Cancer Research Fund.

We applaud the Legislature for helping to strengthen the health of our state by considering this measure, and thank these committees for hearing HB2504 HD2.

We respectfully ask you to pass this measure.

Mahalo,



Peggy Mierzwa  
Director of Policy & Advocacy  
Hawai'i Public Health Institute

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<sup>i</sup> 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.

<sup>ii</sup> *U.S. state and local issues: Tobacco taxes.* Campaign for Tobacco-Free Kids. (2023, September 1). <https://www.tobaccofreekids.org/what-we-do/us/state-tobacco-taxes#:~:text=Health%20Win%3A%20Tobacco%20tax%20increases,consumption%20by%20about%20four%20percent.>

<sup>iii</sup> [https://hhdw.org/report/query/result/yrbs/CigsCurr/CigsCurr\\_HS\\_ST.html](https://hhdw.org/report/query/result/yrbs/CigsCurr/CigsCurr_HS_ST.html)

<sup>iv</sup> <https://www.tobaccofreekids.org/problem/toll-us/hawaii>

<sup>v</sup> This study by Ward Research, Inc. summarizes findings from a phone survey among n=707 Hawaii registered voters (maximum sampling error +/- 3.7%), conducted between October 6 to November 29, 2023.



**LATE**

**Testimony to the Senate Joint Committee on Health and Human Services and Higher  
Education  
Wednesday, March 20, 2024; 1:02 p.m.  
State Capitol, Conference Room 225  
Via Videoconference**

**RE: HOUSE BILL NO. 2504, HOUSE DRAFT 2, RELATING TO CIGARETTE TAXES.**

Chair San Buenaventura, Chair Kim, and Members of the Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** House Bill No. 2504, House Draft 2, RELATING TO CIGARETTE TAXES.

By way of background, the HPCA represents Hawaii's Federally Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines to over 150,000 patients each year who live in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

This bill, as received by your Committee, would:

- (1) Establish a Cigarette Floor Inventory Tax imposed on the stock inventory of cigarettes held by licensees;
- (2) Raise the Cigarette and Tobacco Tax by an unspecified amount of cents per cigarette sold, used or possessed by a wholesaler or dealer on or after July 1, 2024; and
- (3) Increase the deposit of cigarette and tobacco tax revenues by unspecified amounts to the Hawaii Cancer Research Special Fund, the Trauma System Special Fund, the Community Health Centers Special Fund, and the Emergency Medical Services Special Fund

This measure would take effect on July 1, 3000.



**Testimony on House Bill No. 2504, House Draft 2**  
**Wednesday, March 20, 2024; 1:02 p.m.**  
**Page 2**

We note that the bill before you is part of the Administration's legislative package. It originally proposed a slight increase in the Cigarette and Tobacco Tax with the proceeds directed to the Cancer Research Center. With the additional resources provided by this tax increase, the Cancer Research Center would be able to devote these funds for research projects, such as a cohort study.

To the extent that a tax increase would provide needed additional revenues to the Cancer Research Center Special Fund, the Trauma System Special Fund, the Community Health Centers Special Fund, and the Emergency Medical Services Special Fund, the HPCA wholeheartedly supports this bill.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or [eabe@hawaiiipca.net](mailto:eabe@hawaiiipca.net).

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CIGARETTE, TOBACCO, Tax Hike, Increase Earmark to Cancer Research Special Fund

BILL NUMBER: HB 2504 HD 2

INTRODUCED BY: House Committee on Finance

**LATE**

EXECUTIVE SUMMARY: Establishes a cigarette floor inventory tax on the stock inventory of cigarettes held by licensees before any increase in cigarette and tobacco tax laws is to be assessed and levied. Amends the cigarette tax rate and specifies the disposition of revenues collected at the amended rate.

SYNOPSIS: Amends section 245-3, HRS, to raise the tobacco tax on cigarettes from 16 cents to an unspecified amount per cigarette on and after July 1, 2024.

Amends section 245-15, HRS, to change the cigarette tax rate and the disposition of those tax revenues to various special funds to unspecified amounts; specifically, the Hawaii Cancer Research special fund, the Trauma System special fund, the Community health centers special fund and the emergency medical services special fund.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: This is an Administration bill sponsored by the University of Hawaii and designated UOH-09 (24).

STAFF COMMENTS: The question that should be asked is what 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.

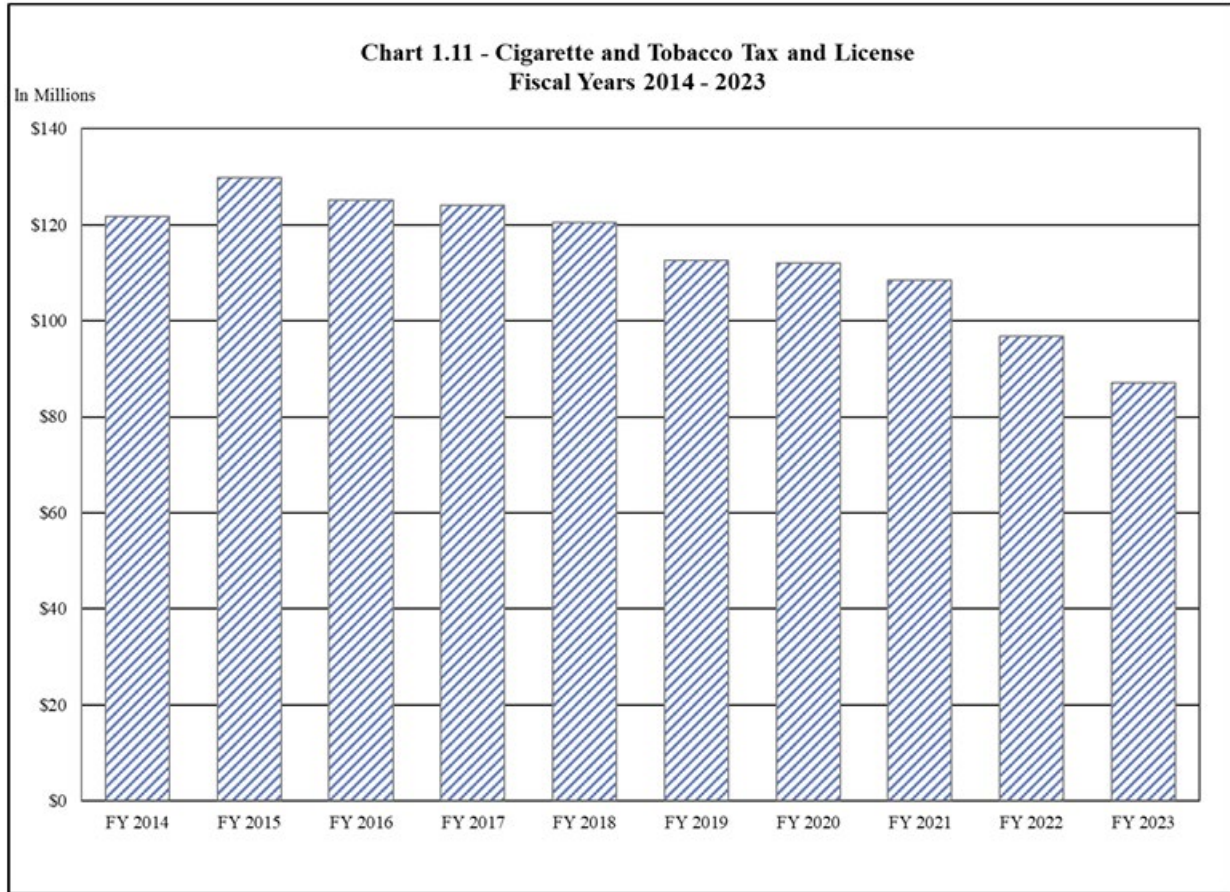
The irony is that arguments to increase the tax on tobacco and, more specifically, cigarettes, is a goal of getting smokers to quit while depending on the revenues from tobacco and cigarette taxes to fund an ongoing program, in this case the Cancer Research Center. So, which is it folks, stop smokers 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.

Kalapa, "Finding the Blame for What Ails You," at <https://www.tfhawaii.org/wordpress/-blog/2012/10/finding-the-blame-for-what-ails-you/> (Oct, 28, 2012).

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 (2022-2023), page 24.

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: 3/19/2024



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## Memorandum

**Date:** March 20, 2024

**To:** Members of the Senate Health and Higher Education Committees

**From:** Adam Hoffer, PhD, Director of Excise Taxation, Tax Foundation

**Subject:** Comments on House Bill 2504

**LATE**

House Bill 2504 would increase the tax on cigarettes in Hawaii. This tax would be regressive, disproportionately impacting low-income Hawaiians.

Simply because a tax is regressive, however, doesn't mean it shouldn't be used. Most consumption taxes are regressive, but they still have a role in a broader system of tax and transfers that is almost invariably highly progressive. Best practices for tax policy usually include a mix of both progressive and regressive taxes that provide a stable source of revenue but minimize market distortions and the tax burden on the poor.

While most excise taxes are regressive, taxes on tobacco are the most regressive excise tax the Tax Foundation has studied.<sup>1</sup> In Hawaii, households in the lowest quintile face an effective tax rate that is 11 times greater than individuals in the top two income quintiles.

### Table 1. Distribution of Effective Tax Rates on Cigarettes across Income Groups in Hawaii

Income Group	Effective Tax Rate
0% to 20%	11.0%
20% to 40%	4.0%
40% to 60%	2.0%
60% to 80%	1.0%
80% to 100%	1.0%

Source: Adam Hoffer, "Compare Tobacco Tax Data in Your State," Tax Foundation, May 24, 2023, <https://taxfoundation.org/data/all/state/tobacco-tax-data-tool/>.

Legislatures are charged with the difficult task of striking the right balance among reducing the harm caused by smoking, raising enough revenue to fund smoking cessation and other public health programs, and maintaining a legal, well-regulated marketplace where participants can safely transact. As you consider these matters, we are happy to be a resource and would be delighted to provide you with more research on this topic.

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<sup>1</sup> Adam Hoffer, "Global Excise Tax Application and Trends," Tax Foundation, Apr. 7, 2023, <https://taxfoundation.org/research/all/global/global-excise-tax-policy-application-trends/#regressivity>.

**LATE**

**HB-2504-HD-2**

Submitted on: 3/19/2024 5:53:59 PM

Testimony for HHS on 3/20/2024 1:02:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Michael Zehner	Testifying for Hawaii Smokers Alliance	Oppose	Written Testimony Only

Comments:

We stand on our previous testimony in **STRONG OPPOSITION** to this unfair tax increase.

**LATE**

**HB-2504-HD-2**

Submitted on: 3/19/2024 6:13:10 PM

Testimony for HHS on 3/20/2024 1:02:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jessica Chang	Individual	Oppose	Written Testimony Only

Comments:

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**LATE**

**HB-2504-HD-2**

Submitted on: 3/19/2024 6:15:52 PM

Testimony for HHS on 3/20/2024 1:02:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Chad Wheeling	Individual	Oppose	Written Testimony Only

Comments:

HB2504 is an insulting money grab from working people that vote.



**LATE**

**HB-2504-HD-2**

Submitted on: 3/19/2024 6:53:33 PM

Testimony for HHS on 3/20/2024 1:02:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Michael S. Nakasone	Individual	Oppose	Written Testimony Only

Comments:

This overtaxing of a declining revenue source will only increase the problem over time. I recommend beginning to tap some other source to make a smooth transition.

It will be a far bigger problem to wait until the price is so high that nobody buys them retail and all remaining sales are black market.

**LATE**

**HB-2504-HD-2**

Submitted on: 3/20/2024 9:15:25 AM

Testimony for HHS on 3/20/2024 1:02:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
William L. Goo	Testifying for Cigar Association of America	Oppose	Written Testimony Only

Comments:

Oppose.