



**WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-SECOND LEGISLATURE, 2024**

ON THE FOLLOWING MEASURE:

H.B. NO. 2504, H.D. 2, S.D. 1, RELATING TO CIGARETTE TAXES.

BEFORE THE:

SENATE COMMITTEE ON WAYS AND MEANS

DATE: Wednesday, April 3, 2024 **TIME:** 10:30 a.m.

LOCATION: State Capitol, Room 211 and Videoconference

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**

(For more information, contact Richard W. Stacey,
Deputy Attorney General, at 808-586-1203)

Chair Dela Cruz and Members of the Committee:

The Department of the Attorney General provides the following comments.

The purposes of this bill are to (1) add a new tax for electronic smoking devices and e-liquids equal to the current tax on cigarettes; (2) require 1.0 cent per cigarette, electronic smoking device, and e-liquid, but not more than \$500,000 per fiscal year, to be deposited into the credit of the Tobacco Enforcement Special Fund; (3) prohibit the Cancer Center of Hawaii's Early Clinical Trial Program from receiving moneys from the Hawaii Cancer Research Special Fund; and (4) require an annual reporting of the final status of the Early Clinical Trial Program beginning on January 1, 2025.

Article III, section 14, of the Hawaii Constitution provides, in part: "Each law shall embrace but one subject, which shall be expressed in its title." The title of the bill is: "A Bill for an Act Relating to Cigarette Taxes."

The bill's new provisions in section three, including new restrictions and requirements relating to the Hawaii Cancer Research Special Fund, which were added to the bill in the Senate Draft 1, do not clearly relate to cigarette taxes. Accordingly, the bill may be subject to challenge as being in violation of article III, section 14, of the Hawaii Constitution.

To avoid possible challenges to the validity of the bill, we recommend the deletion of section 3, relating to the Hawaii Cancer Research Special Fund, starting on

page 11, line 20, through page 13, line 4. We defer to the Department of Taxation as to the implementation aspects of the bill.

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

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
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HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2504, H.D. 2, S.D. 1, Relating to Cigarette Taxes.

BEFORE THE:

Senate Committee on Ways and Means

DATE: Wednesday, April 3, 2024

TIME: 10:30 a.m.

LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 2504, H.D. 2, S.D. 1, for your consideration.

Section 1 of the measure amends section 245-3(a), HRS, to create a new paragraph imposing a tax of 16 cents for each a cigarette, electronic smoking device, and e-liquid sold, used, or possessed by a wholesaler or dealer on and after July 1, 2024.

Section 2 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) 2.0 cents per cigarette, electronic smoking device, and e-liquid, to the Hawaii Cancer Research Special Fund pursuant to section 304A-2168, HRS;
- (B) 1.125 cents per cigarette, electronic smoking device, and e-liquid, but not more than \$7,400,000 in a fiscal year, to the Trauma System Special Fund pursuant to section 321-22.5, HRS;
- (C) 1.25 cents per cigarette, electronic smoking device, and e-liquid, but not more than an \$8,800,000 in a fiscal year, to the Community Health

Centers Special Fund pursuant to section 321-1.65, HRS;

(D) 1.25 cents per cigarette, electronic smoking device, and e-liquid, but not more than \$8,800,000 in a fiscal year, to the Emergency Medical Services Special Fund pursuant to section 321-234, HRS; and

(E) 1.0 cents per cigarette, electronic smoking device, and e-liquid, but not more than \$500,000 in a fiscal year, to the Emergency Medical Services Special Fund pursuant to section 28-15, HRS.

H.B. 2504, H.D.2, S.D. 1, has a placeholder effective date of December 31, 2050.

The Department notes that electronic smoking devices and e-liquids are currently subject to tax under chapter 245, HRS, at the rate of 70 percent of the wholesale price of each electronic smoking device or e-liquid sold, used, or possessed by a wholesaler or dealer. To streamline administration of the tax and minimize recordkeeping and reporting burdens for taxpayers, the Department recommends increasing the 70-percent tax rate in lieu of imposing an additional tax of 16-cent for each electronic smoking device and e-liquid.

If the Committee intends to impose two tax rates on electronic smoking devices and e-liquids, the Department recommends amending section 1 of the bill to clarify whether little cigars will be subject to the 16-cent tax that will become effective on July 1, 2024. As currently drafted, the bill is ambiguous as to whether little cigars will continue to be subject to the 16-cent tax pursuant to section 245-3(a)(11), or whether little cigars will no longer be subject to the 16-cent tax because the term "little cigars" is omitted from section 245-3(a)(12).

If the intent is for little cigars to be subject to the 16-cent tax on and after July 1, 2024, the Department recommends amending section 245-3(a)(12) as follows:

(12) 16.00 cents for each cigarette, little cigar, electronic smoking device, and e-liquid sold, used, or possessed by a wholesaler or dealer on and after July 1, 2024, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;

If the intent is for little cigars to no longer be subject to the 16-cent tax after June 30, 2024, the Department recommends amending section 245-3(a)(11) as follows:

(11) 16.00 cents for each cigarette or little cigar sold, used, or possessed by a wholesaler or

dealer [~~on and after~~] beginning on July 1, 2011 [~~7~~] to June 30, 2024, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;

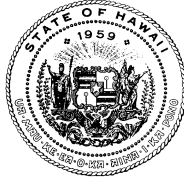
The Department also notes that there may be ambiguity as to what constitutes a taxable unit of an "e-liquid," as e-liquid products may be sold in a variety of sizes and in multi-unit packs. The Department suggests that the bill be amended to specify how the 16-cent tax will apply to e-liquids.

The Department further notes that it will need time to make the necessary form and system changes to implement the new 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 3, replace "July 1, 2024" with "January 1, 2025";
2. On page 9, line 10, replace "July 1, 2024" with "January 1, 2025";
3. On page 10, line 9, replace "June 30, 2024" with "December 31, 2024".

Finally, the Department estimates no material revenue impact from the passage of this measure, assuming that little cigars will continue to be subject to the 16-cent tax.

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



STATE OF HAWAII
DEPARTMENT OF HEALTH
KA 'ŌIHANA OLAKINO
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WRITTEN
TESTIMONY ONLY

**Testimony COMMENTING on H.B. 2504, H.D. 2, S.D. 1
RELATING TO CIGARETTE TAXES**

SENATOR DONAVAN M. DELA CRUZ, CHAIR
SENATE COMMITTEE ON WAYS AND MEANS

Hearing Date: April 3, 2024

Room Number: Conference Room 211
and via Videoconference

1 **Fiscal Implications:** Adds a new tax for electronic smoking devices (ESD) and e-liquid products,
2 and amends the cigarette tax revenue disposition to include ESD and e-liquid products, and
3 adds the Tobacco Enforcement Special Fund (TESF), to receive 1.0 cents per cigarette, ESD, and
4 e-liquid but not more than \$500,000 in a fiscal year.

5 **Department Position:** The Department of Health (DOH) offers comments on this measure and
6 respectfully recommends reinstatement of a cigarette excise tax increase which is a health
7 equity and social justice issue. Increases in cigarette tax is historically associated with reducing
8 youth and young adult use and increasing adult cessation, which contributes to lowering
9 chronic disease and health care spending, including Medicaid spending in the state.

10 **Department Testimony:** The DOH provides comments on House Bill 2504, House Draft 2,
11 Senate Draft 1 (H.B. 2504, H.D. 2, S.D. 1) respectfully recommends reinsertion of the original
12 language from House Bill 2504 (H.B. 2504) that increases the cigarette tax from 16.00 cents to
13 18.00 cents. The DOH finds a nexus with the disposition of the funds to support both the
14 original intent for the University of Hawaii Cancer Research Special Fund and the addition of the
15 TESF.

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

6 The burden of tobacco use is inequitably felt by Hawaii’s communities and population
7 groups. Due to the intentional marketing practices of the tobacco industry, Native Hawaiian
8 (17.4%), individuals who identify as LGBT (13.9%), those who are of low socioeconomic status
9 (20.1%), and those with behavioral health conditions (17.7%) or substance use disorders
10 (16.8%) have higher smoking prevalence than the state average (10.0%).⁴

11 Cigarette smoking persists as the leading cause of preventable death nationally⁵ and is
12 linked to heart disease, cancer, and stroke which were also the leading causes of death in
13 Hawaii in 2021.⁶ Each year, an estimated 1,400 Hawaii adults die from smoking.⁷ The Centers
14 for Disease Control and Prevention estimates that smoking causes approximately 90% of all
15 lung cancer deaths and 80% of all deaths from chronic obstructive pulmonary disease (COPD).^{8,9}

¹ 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>

² 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>

³ 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>

⁴ Hawai'i Health Data Warehouse – BRFSS (2022)

⁵ 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].

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

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

⁸ 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].

⁹ 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].

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

5 The World Health Organization (WHO) recommends that tobacco taxes should be raised
6 significantly and at regular intervals to ensure that tobacco products do not become more
7 affordable.¹² The last cigarette tax increase in Hawaii was 13 years ago in 2011¹³ and there was
8 an observed decrease in high school cigarette use from years prior and continued steadily
9 thereafter.¹⁴ The DOH appreciates the opportunity to provide comments on H.B. 2504, H.D. 2,
10 S.D. 1 and respectfully requests the reinstatement of a cigarette excise tax increase to decrease
11 the burden of tobacco use on Hawaii's people.

12 **Offered Amendments:** The DOH respectfully recommends the preferred language in the
13 original administrative measure found in [H.B. 2504](#) that increased the cigarette tax from 16.00
14 cents to 18.00 cents.

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

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

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

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

¹³ 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

¹⁴ HHDW. (2005-2021). Youth Risk Behavior Survey (YRBS) Current smoking- high school. https://hhdw.org/report/query/result/yrbs/CigsCurr/CigsCurr_HS_ST.html



HB2504 HD2 SD1 Cigarette Taxes

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

Wednesday, Apr 3, 2024: 10:30: Room 211 Videoconference

Hawaii Substance Abuse Coalition Supports HB2504 HD2 SD1:

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 humbly recommend increases of \$1.00.

HSAC applauds adding vaping to be taxed up to \$500K for the Tobacco Cessation programs to support their work. HSAC understands that funds can go 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, while restricting the Hawaii Cancer research special fund from some research uses that may have outside donations and grants.

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



**Testimony to the Senate Committee on Ways and Means
Wednesday, April 3, 2024; 10:30 a.m.
State Capitol, Conference Room 211
Via Videoconference**

RE: HOUSE BILL NO. 2504, HOUSE DRAFT 2, SENATE DRAFT 1, RELATING TO CIGARETTE TAXES.

Chair Dela Cruz, Vice Chair Moriwaki, 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, Senate Draft 1, 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 an excise tax (Cigarette and Tobacco Tax) of 16.00 cents for each cigarette, electronic smoking device, and e-liquid sold, used, or possessed by a wholesaler or dealer on and after July 1, 2024;
- (2) Require the deposit of the revenues collected after June 30, 2024, from the excise tax in the following amounts into the following special funds:
 - (A) 2.0 cents per cigarette, electronic smoking device, and e-liquid collected into the Hawaii Cancer Research Special Fund for operating and capital expenditures;
 - (B) 1.125 cents per cigarette, electronic smoking device and e-liquid collected into the Trauma System Special Fund;

**Testimony on House Bill No. 2504, House Draft 2, Senate Draft 1
Wednesday, April 3, 2024; 10:30 a.m.**

Page 2

- (C) 1.25 cents per cigarette, electronic smoking device, and e-liquid, but not more than \$8,800,000 in a fiscal year, into the Community Health Centers Special Fund;
 - (D) 1.25 cents per cigarette, electronic smoking device, and e-liquid, but not more than \$8,800,000 in a fiscal year, into the Emergency Medical Services Special Fund; and
 - (E) 1.0 cents per cigarette, electronic smoking device, and e-liquid, but not more than \$500,000 in a fiscal year, into the Tobacco Enforcement Special Fund;
- (3) Clarify that philanthropic donations received in conjunction with programs of the Cancer Research Center of Hawaii be deposited into the Hawaii Cancer Research Special Fund;
 - (4) Require the University of Hawaii to report semi-annually to the Legislature on all income from the Hawaii Cancer Research Special Fund; and
 - (5) Prohibit the Early Clinical Trial Program to receive money from the Hawaii Cancer Research Special Fund and require the Early Clinical Trial Program to report annually beginning January 1, 2025, on the financial status of the Program.

This measure would take effect on December 31, 2050.

We note that the bill before you was 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.

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.

From a technical standpoint, we note that the provisions related to the Cancer Research Center Special Fund beyond those applicable to "cigarette taxes" might not meet the "single title, single subject" requirement of Article III, Section 14, of the Constitution of the State of Hawaii. As such, your Committee may want to consider inserting a severability clause to this bill to ensure that the provisions related to "cigarette taxes" would pass muster should the bill be challenged.

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.

Wednesday, April 3, 2024; 10:30 am
Conference Room 211 & Videoconference

Senate Committee on Ways and Means

To: Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair

From: Ray Vara
President & CEO

Re: **Testimony in Support of HB 2504, HD2, SD1
Relating To Cigarette Taxes**

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, SD1 which, among changes to the law, increases the cigarette tax and allocates 2 cents of the increase in the cigarette tax amount to the Hawai'i Cancer Research special fund.

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.



Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair
Members of Senate Committee on Ways and Means

Hearing Date: Wednesday, April 3, 2024

ACS CAN COMMENTS with Amendments on HB 2504 SD1 – RELATING TO CIGARETTE TAXES.

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

Thank you for the opportunity to **COMMENTS with Amendments** on HB 2504 SD1: 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.

This may have been a drafting error, but HB2504 SD1 is missing “little cigars” on page 4 line 1 in “(12)”. Recommend amending the bill and inserting “little cigars” back into the section, otherwise this will eliminate the collection of taxes on these products.

HB 2504 was introduced as a part of the Governor’s administrative package to provide needed additional revenues to the Hawaii Cancer Research Special Fund. Senate Draft 1 requires philanthropic donations received in conjunction with programs of the Cancer Research Center of Hawaii to be deposited into the special fund and repeals the provision that allows moneys in the special fund to be used for research expenses. ACS CAN is concerned of the amendments made in Senate Draft 1 referencing philanthropic donations. We are concerned on the language restricting how philanthropic donations may be used which may have unintended consequences. Currently, there may be several philanthropic donations specifically earmarked to be used for cancer research projects to be conducted by the University of Hawaii Cancer Center.

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 or 808.460.6109.



**WAIANAЕ COAST
COMPREHENSIVE
HEALTH CENTER**

RE: In Support of House Bill 2504

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means:

Waianae Coast Comprehensive Health Center (WCCHC) is a non-profit organization dedicated to improving the health and well-being of the West Oahu community through accessible and affordable medical and traditional healing services, including vital telehealth services and online social support, crucial for our community's wellbeing. Celebrating over 50 years of service, WCCHC remains committed to providing holistic healthcare and promoting the health of our local community and environment. We are in strong support of House Bill No. 2504, House Draft 2, RELATING TO CIGARETTE TAXES.

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 in support of this important legislation.

Mahalo,

Ian Ross
Public Affairs Director
ianross@wcchc.com



*The
Store
with
Aloha*

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To: Committee on Ways and Means

Re: HB2504 HD2 SD1 Relating to Cigarette Taxes

Date: April 3, 2024

Time: 10:30 a.m.

Place: Conference Room 211

Position: Oppose

Good afternoon, Chairperson Donovan M. Dela Cruz, Vice Chair Sharon Y. Moriwaki and members of the Committee on Ways and Means. I am Curtis Higashiyama Employee Relations and Government Affairs Manager and I appreciate this opportunity to testify.

ABC Stores **Opposes** HB2504 HD2 SD1. Beginning July 1, 2024, expands the cigarette tax levied upon a wholesaler or dealer under section 245-3, HRS, to electronic smoking devices and e-liquids. Requires 1.0 cents per cigarette, electronic smoking device, and e-liquid, but not more than \$500,000 per fiscal year, to be deposited into the credit of the Tobacco Enforcement Special Fund. Repeals research expenses as an authorized use of funds in the Hawai'i Cancer Research Special Fund. Prohibits the Cancer Center of Hawai'i's Early Clinical Trial Program from receiving moneys from the Hawai'i Cancer Research Special Fund. Requires an annual reporting of the final status of the Early Clinical Trial Program beginning 1/1/2025. Effective 12/31/2050. (SD1)

Any increase in taxes on products increases cost pressures on consumers who are age eligible to make the purchase. Of concern is as this upward pressure increases so does the potential for opportunistic theft which will affect retailers and small businesses causing losses not only in product but also operational viability. Consideration is also asked for the unintended consequences which will occur with the illicit trade becoming a more viable option to procuring a product that becomes cost prohibitive, thus negating and/or reducing the potential for increased revenues to be directed to the receiving agencies.

We urge you to hold this measure. Thank you for the opportunity to testify.

Mahalo,
Curtis Higashiyama
ABC Stores
Employee Relations and Government Affairs

HB-2504-SD-1

Submitted on: 4/2/2024 2:19:13 PM

Testimony for WAM on 4/3/2024 10:30:00 AM

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

Comments:

We stand on our previous testimony opposing any further tax increases on constituents that smoke or vape.

However, any efforts to find the Center alternate funding sources are welcomed if they are not part of a tax increase bill.

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 SD 1

INTRODUCED BY: Senate Committees on Health and Human Services and Higher Education

EXECUTIVE SUMMARY: Beginning July 1, 2024, expands the cigarette tax levied upon a wholesaler or dealer under section 245-3, HRS, to electronic smoking devices and e-liquids. Requires 1.0 cents per cigarette, electronic smoking device, and e-liquid, but not more than \$500,000 per fiscal year, to be deposited into the credit of the Tobacco Enforcement Special Fund. Repeals research expenses as an authorized use of funds in the Hawai'i Cancer Research Special Fund. Prohibits the Cancer Center of Hawai'i's Early Clinical Trial Program from receiving moneys from the Hawai'i Cancer Research Special Fund.

SYNOPSIS: Amends section 245-3(a)(12), HRS, to add a tobacco tax of 16 cent tobacco tax per cigarette, electronic smoking device and e-liquid sold, used, or possessed by a wholesaler or dealer on and after July 1, 2024. Little cigars, previously subject to the per-stick tax, apparently will face a tax of 70% of the wholesale price.

Amends section 245-15, HRS, for conforming changes to the disposition of revenues from electronic smoking devices and e-liquids. Adds 1.0 cent, but not more than \$500,000, of the revenues collected to the credit of the Tobacco Enforcement Special Fund (HRS sec. 28-15).

EFFECTIVE DATE: December 31, 2050.

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.

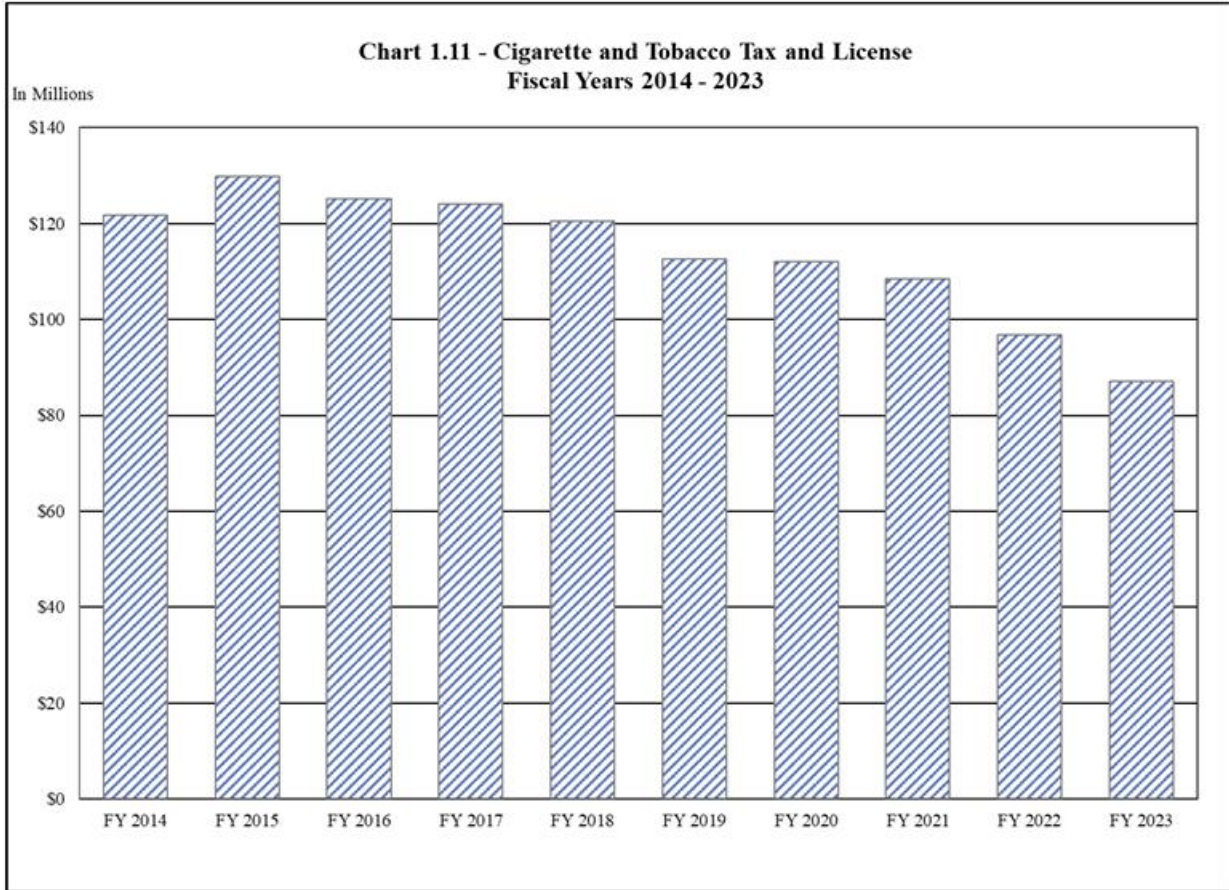
The irony is that arguments to increase the tax on tobacco and, more specifically, cigarettes, is a goal of getting smokers to quit while depending on the revenues from tobacco and cigarette taxes to fund an ongoing program, in this case the Cancer Research Center. So, which is it folks, stop smokers 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: 4/2/2024



Compassion for Cancer Caregivers

P. O. Box 26137 • Honolulu, Hawaii 96825

Phone: (808) 330-3906

Email: compassionforcancercaregivers@gmail.com

Web: compassionforcancercaregivers.org

Training volunteers for a voyage of support and hope

To: Senator Donovan Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Members of Senate Committee on Ways & Means

RE: Strong Support of HB2504– RELATING TO CIGARETTE TAXES

Hearing: Wednesday, Apr 3, 2024: 10:30: Room 211 Videoconference

Chair Donovan Dela Cruz, Vice Chair Sharon Y. Moriwaki and Members of the Committee:

Compassion for Cancer Caregivers respectfully requests the Senate Committee on Ways and Means to amend the bill HB2504 HD2 SD1, back to the language used in the Governor's Administrative package bill, House Bill 2504: Relating to Cigarette Taxes, to increase the cigarette tax by 2 cents from 16 cents to 18 cents to support the Hawai'i Cancer Research Special Fund.

The University of Hawai'i 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 multiethnic 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.

Thank you for your consideration. If you have any questions, please contact me.

I humbly ask for your SUPPORT of the Governor's Administrative package bill, House Bill 2504: Relating to Cigarette Taxes to increase the cigarette tax by 2 cents from 16 cents to 18 cents to support the Hawai'i Cancer Research Special Fund.

Sincerely,

A handwritten signature in blue ink that reads "George & Jeannie Stewart". The signature is fluid and cursive, with the first names being more prominent.

George & Jeannie Stewart

Co-Founders

Honolulu 96825

HB-2504-SD-1

Submitted on: 4/1/2024 4:47:37 PM

Testimony for WAM on 4/3/2024 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jessica Chang	Individual	Oppose	Written Testimony Only

Comments:

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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 on Ways and Means
Wednesday, April 3, 2024 at 10:30 a.m.

By

Naoto Ueno

Director, UH Cancer Center

And

Michael Bruno

Provost

University of Hawai'i at Mānoa

HB 2504 HD2 SD1 – RELATING TO CIGARETTE TAXES

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Thank you for the opportunity to present our testimony today. The UH Cancer Center is in **strong support** of increased cancer research and center operation funding for the Cancer Center. Currently, Hawai'i Revised Statutes specify that the cigarette tax is \$0.16 per cigarette and revenues collected from the cigarette tax are allocated where \$0.02 per cigarette supports Hawai'i's Cancer Center. The SD1 version of the bill attempts to expand the applicability of the cigarette tax to electronic smoking devices and e-liquids, but does not increase the current cigarette tax rate. The University recommends and supports the increasing of the cigarette tax rate by an additional \$0.02 so that the increased funding can support cancer research in Hawai'i.

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. Increasing the scope of the cigarette tax rate would increase the revenues to the Cancer Research Special Fund. This increase is necessary to reverse and slow the historical trend of declining revenues, which is currently jeopardizing the financial sustainability of Hawai'i's Cancer Center and the debt service payments on the revenue bonds issued to construct the Cancer Center. Due to the success of smoking cessation efforts – 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 in Hawai'i. However, as drafted, HB 2504 HD2 SD1 does not provide any additional revenues as we have no estimation of revenues generated from the electronic smoking devices and e-liquids.

The return on increased investment in Hawai'i's UH Cancer Center 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 Hawai'i, 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 the 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 to the Cancer Research Special Fund 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 Hawaii's people. The benefits of this investment will resonate far beyond the immediate fiscal year, marking a steadfast path toward to a future where cancer can be effectively combatted.

Thank you for this opportunity to testify.

HB-2504-SD-1

Submitted on: 4/2/2024 5:47:13 PM

Testimony for WAM on 4/3/2024 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Clayton Silva	Individual	Oppose	Written Testimony Only

Comments:

Please stop attacking voters with tax increases.

HB-2504-SD-1

Submitted on: 4/2/2024 6:32:17 PM

Testimony for WAM on 4/3/2024 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Kathy Kim	Individual	Oppose	Written Testimony Only

Comments:

I am Opposed. The tax is much too high as it is.

To: Senator Donovan Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Members of Senate Committee on Ways & Means

RE: Strong Support of HB2504– RELATING TO CIGARETTE TAXES

Hearing: Wednesday, Apr 3, 2024: 10:30: Room 211 Videoconference

Chair Donovan Dela Cruz, Vice Chair Sharon Y. Moriwaki and Members of the Committee:

My name is Michelle Hashimoto, a Puunui resident and long time cancer fighter in my community. I am also an advocate for the American Cancer Society Cancer Action Network and the University of Hawai'i Cancer Center. As a *caregiver for my father who battled cancer, a concerned parent, and an active community member*, I respectfully request the Senate Committee on Ways and Means to amend the bill HB2504 HD2 SD1, back to the language used in the Governor's Administrative package bill, House Bill 2504: Relating to Cigarette Taxes, to increase the cigarette tax by 2 cents from 16 cents to 18 cents to support the Hawai'i Cancer Research Special Fund.

Cancer is the second leading cause of death in Hawaii with 2,500 deaths each year and the leading cause of death among Asian Americans and the second-leading cause (after heart disease) among Native Hawaiian and other Pacific Islander individuals.

My 86-year old father was diagnosed with esophageal cancer a few months before his passing. Although he didn't pass from cancer, please know that through research studies done at the University of Hawai'i Cancer Center, lifesaving findings help folks like my father get diagnosed earlier as well as have more treatment options and **better health outcomes**. Our families and friends need your support for today and ... for our future.

Research is critical to understanding and reducing cancer disparities, as well as examining gaps in cancer prevention and care delivery that contribute to these disparities.

I humbly ask for your **STRONG SUPPORT** of the Governor's Administrative package bill, House Bill 2504: Relating to Cigarette Taxes to increase the cigarette tax by 2 cents from 16 cents to 18 cents to support the Hawai'i Cancer Research Special Fund.

Sincerely,
Michelle Hashimoto
2533 Stream Drive
Honolulu, HI 96817
(808) 741-5854

To: Senator Donovan Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Members of Senate Committee on Ways & Means

RE: Strong Support of HB2504– RELATING TO CIGARETTE TAXES

Hearing: Wednesday, Apr 3, 2024: 10:30: Room 211 Videoconference

Chair Donovan Dela Cruz, Vice Chair Sharon Y. Moriwaki and Members of the Committee:

Dr. Joanne Ebesu respectfully requests the Senate Committee on Ways and Means to amend the bill HB2504 HD2 SD1, back to the language used in the Governor’s Administrative package bill, House Bill 2504: Relating to Cigarette Taxes, to increase the cigarette tax by 2 cents from 16 cents to 18 cents to support the Hawai’i Cancer Research Special Fund.

The University of Hawai’i 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 multiethnic 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.

I am an 8-year oral cancer survivor, largely due to advances in cancer research made by scientists like those at the UHCC. I have personally benefitted from the UHCC and Rehabilitation Hospital of the Pacific’s iCare Program to restore physical strength of recovering cancer patients. This is only one of many of the UHCC’s programs that require State support to help Hawaii’s cancer patients.

I have also been the Lead Volunteer Event Coordinator for 4 annual Oral Cancer Foundation charity walk events in Honolulu, the last 2 of which have been held at the UHCC’s Sullivan Conference Center. With their support, we have been able to fund oral cancer research and awareness through this national non-profit organization, and also to provide free oral cancer screenings to the public in their clinical lab facility.

Thank you for your consideration. If you have any questions, please contact me.

I humbly ask for your SUPPORT of the Governor’s Administrative package bill, House Bill 2504: Relating to Cigarette Taxes to increase the cigarette tax by 2 cents from 16 cents to 18 cents to support the Hawai’i Cancer Research Special Fund.

Sincerely,

Dr. Joanne Ebesu, Ph.D.
Waipahu, HI 96797

To: Senator Donovan Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Members of Senate Committee on Ways & Means

RE: Strong Support of HB2504– RELATING TO CIGARETTE TAXES

Hearing: Wednesday, Apr 3, 2024: 10:30: Room 211 Videoconference

Chair Donovan Dela Cruz, Vice Chair Sharon Y. Moriwaki and Members of the Committee:

Adelia C Dung respectfully requests the Senate Committee on Ways and Means to amend the bill HB2504 HD2 SD1, back to the language used in the Governor’s Administrative package bill, House Bill 2504: Relating to Cigarette Taxes, to increase the cigarette tax by 2 cents from 16 cents to 18 cents to support the Hawai’i Cancer Research Special Fund.

The University of Hawai’i 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 multiethnic 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.

Thank you for your consideration. If you have any questions, please contact me.

I humbly ask for your SUPPORT of the Governor’s Administrative package bill, House Bill 2504: Relating to Cigarette Taxes to increase the cigarette tax by 2 cents from 16 cents to 18 cents to support the Hawai’i Cancer Research Special Fund.

Sincerely,

Adelia C. Dung
3468 Waialae Av # 234
Honolulu, HI 96816