



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2025**

ON THE FOLLOWING MEASURE:

H.B. NO. 1085, H.D. 1, RELATING TO TAXATION.

BEFORE THE:

HOUSE COMMITTEE ON HIGHER EDUCATION

DATE: Friday, February 7, 2025 **TIME:** 2:00 p.m.

LOCATION: University of Hawaii at Manoa, Bachman Hall
Board of Regents Conference Room 106
2444 Dole Street
Honolulu, Hawaii 96822

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Richard W. Stacey, Deputy Attorney General

Chair Garrett and Members of the Committee:

The Department of the Attorney General (Department) strongly supports this bill and offers the following comments.

The purpose of this bill is to increase the tax rate on each cigarette or little cigar sold from 16.00 cents to 21.00 cents. Additionally, the bill amends the disposition of revenues to certain non-general funds, with the excess carrying over to the general fund, and expands the tax disposition of revenues to those funds to include all revenue collected under chapter 245, Hawaii Revised Statutes (HRS). This bill also repeals obsolete historical tax rates.

Cigarette tax stamp revenues have plummeted, from over \$116 million in fiscal year 2015-2016 to just over \$70 million in fiscal year 2023-2024. This decline has affected the funding for the University of Hawaii Cancer Center, community health centers, trauma centers, and emergency medical services.

Similarly, the Department's Tobacco Enforcement Special Fund (Fund) has experienced a revenue decline due to reduced cigarettes sales. The Fund receives revenue from the cigarette tax stamp fee, which is directly tied to the cost of the cigarette tax stamp (see section 245-26, HRS). The revenue deposited into the Fund has dropped from \$1.74 million in fiscal year 2015-2016 to \$1.03 million in 2023-2024.

To ensure continued diligent enforcement of the Master Settlement Agreement (MSA), the Department needs to recuperate funding to the Fund.

In 1998, Hawaii and 45 other states signed the MSA with the four largest U.S. tobacco manufacturers to settle smoking-related claims. Under the MSA, these manufacturers provide annual payments to the signing states, including Hawaii. To maintain these payments, states must diligently enforce the requirements of the "model statute," which Hawaii enacted as the Tobacco Liability Act, chapter 675, HRS. The Legislature established the Fund in 2001 for the Department to administer, monitor, and enforce the MSA, the cigarette tax stamp program, and any other related statutes or programs (see section 28-15(a), HRS).

If enforcement is deemed insufficient, tobacco manufacturers may challenge the payment, potentially leading to arbitration and significant financial losses to Hawaii. Hawaii received over \$36.4 million in MSA payments for fiscal year 2023-2024. Recent arbitration decisions found Washington, Missouri, and New Mexico non-diligent, jeopardizing their annual MSA payments. These decisions highlight a critical need for stable funding for the Department to maintain and further its diligent enforcement efforts and reduce the risk of losing MSA revenue.

The Department recognizes that continued reliance on declining cigarette tax revenue is unsustainable. This bill aims to move away from relying solely on cigarette taxes and expand the tax revenue base to include all revenue collected under chapter 245, HRS, including the new tax revenue collected from e-cigarettes and e-liquids.¹ The expanded revenue pool will be distributed monthly on a pro-rata among the designated special funds, each subject to a prescribed monetary cap. Once a special fund reaches its cap, any excess tobacco revenue collected will go to the general fund.

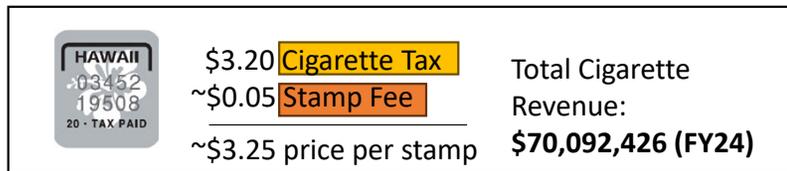
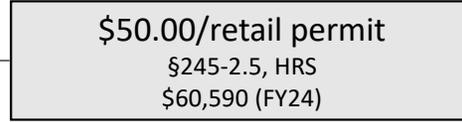
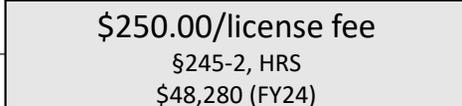
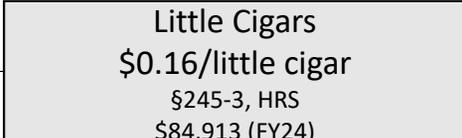
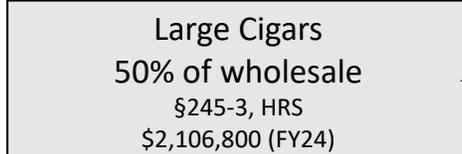
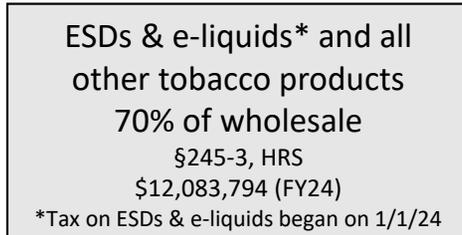
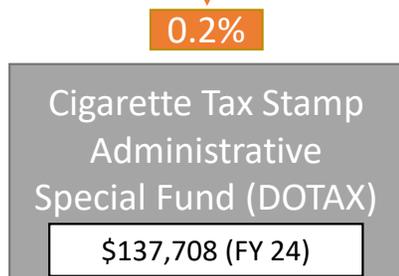
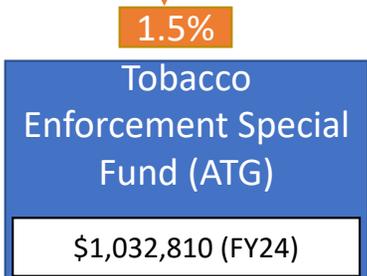
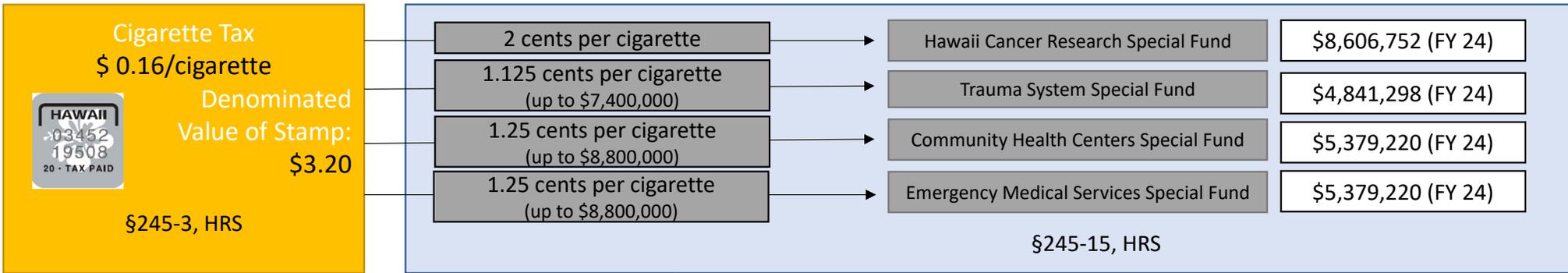
The attached chart demonstrates the flow of the cigarette and tobacco tax and license money.

¹ Act 62, Session Laws of Hawaii 2023, created a new tax on electronic smoking devices (ESDs) and e-liquids. Starting January 1, 2024, ESDs and e-liquids were subject to an excise tax of 70 percent of the wholesale price of the item. The taxes from ESDs and e-liquids are deposited to the general fund and are not allocated to the various special funds receiving cigarette tax revenue.

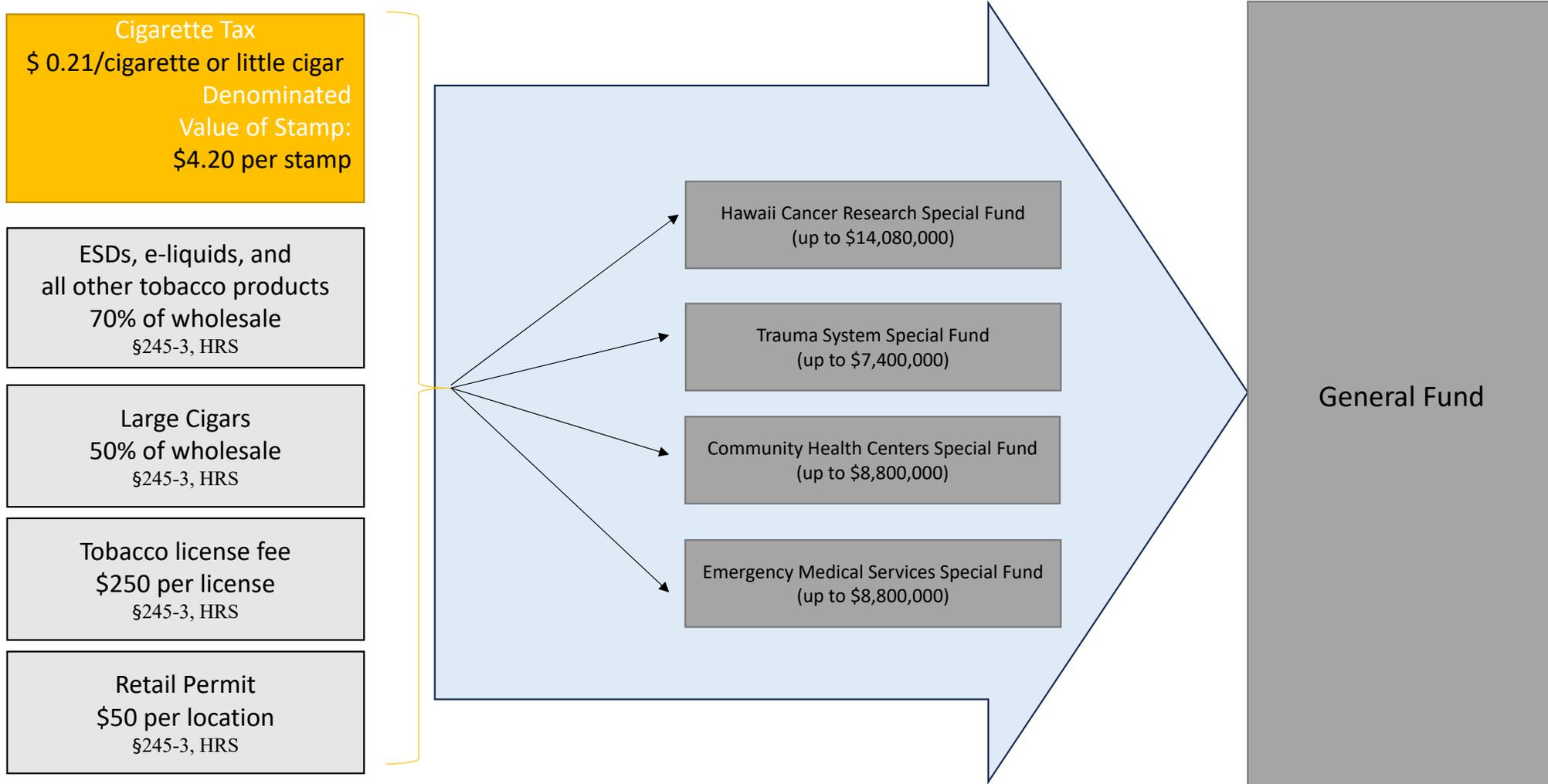
We also ask that this Committee change the defective effective date to the original effective date of July 1, 2025. For the implementation of a new tax stamp rate, the Department defers to the Department of Taxation.

We respectfully urge the Committee to pass this bill. Thank you for this opportunity to testify.

CIGARETTE AND TOBACCO TAX AND LICENSE MONEY



CIGARETTE AND TOBACCO TAX AND LICENSE MONEY (HB1085/SB1404)





‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo



Testimony Presented Before the House Committee on Higher Education Friday, February 7, 2025 at 2:00 p.m.

By

Naoto T. Ueno, Director University of Hawai'i Cancer Center

And

Michael Bruno, Provost University of Hawai'i at Mānoa

HB 1085 HD1 – RELATING TO TAXATION

Chair Garrett, Vice Chair Amato, and Members of the Committee:

Thank you for the opportunity to present our testimony today. The UH Cancer Center is in strong support of HB 1085 HD1, which would increase the cigarette tax from \$0.16 to \$0.21 per cigarette. Currently, the cigarette tax revenues are allocated where \$0.02 supports Hawai'i's Cancer Center. This bill would increase the total cigarette tax per unit, but further change the formula and calculation for the distribution of all cigarette tax revenues for tax-funded programs - including, for the University of Hawai'i Cancer Center. Funding from the cigarette tax has been instrumental since the Hawai'i cancer research special fund's inception in 2006, enabling the construction of the UH Cancer Center building and the launching of strategic initiatives to combat cancer. However, due to the success of smoking cessation efforts, this allocation 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 with that of 2009, this source of allocation is no longer able to support its original intent to provide a top-notch facility, and to invest in the most promising cancer research, clinical care and community outreach.

An increase would bring profound benefits for the people of our community. Restoring cigarette-tax funding would empower the UH Cancer Center to attract and retain more top-tier scientists and clinicians, thus expanding our capacity to conduct groundbreaking research and deliver cutting-edge patient care and saving more lives across Hawai'i and the Pacific.

Returns on this investment will be multifold:

Investment in Tobacco Research is an Investment in the Health and Well-being of Our Community

More than 70,000 people in this state are living with cancer and praying for a cure, and each year 2,300 Hawai'i residents die of this terrible disease. The UH Cancer Center is a

leader of the Hawai'i Cancer Consortium, a collaborative network of major healthcare and community partners working to improve cancer outcomes for residents of Hawai'i as well as those in the broader Pacific Rim region: The Queen's Health Systems, Hawai'i Pacific Health, Adventist Health Castle, Kuakini Medical Center, Hilo Benioff Medical Center, Hawai'i Medical Service Association (HMSA), and UH Mānoa's John A. Burns School of Medicine. Cigarette tax 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. As one of only 72 National Cancer Institute-designated cancer centers, it is in the top 4% of cancer centers across the nation, and was scored as an “outstanding” cancer center in its most recent full five-year renewal. The UH Cancer Center 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; such new faculty recruits will increase federal grants and groundbreaking discoveries in cancer prevention, treatment, and care;
- Addressing the shortage of specialized oncology practitioners in Hawai'i;
- Attracting pharmaceutical companies that will partner with the 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

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. By 2050, cancer cases worldwide are expected to increase by 77%, to over 35 million, and cancer deaths are projected to nearly double, to 18.5 million, according to the World Health Organization. Residents of Hawai'i and the Pacific will not be immune from this grim trend. Investing in cancer research impacts the community by providing better quality cancer treatment and prevention. It enables recruitment of 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 across Hawai'i and the Pacific, and beyond.

Based on the above, we believe that an increase in the Cigarette Tax coupled with the revised formula for distributing all Tobacco Tax revenues amongst the statutory program beneficiaries would be financially beneficial to provide investment in the UH Cancer Center to keep Hawai'i at the forefront of cancer research, and ensure that our communities receive the care and resources they need and deserve. Prioritizing the UH Cancer Center through this tax change 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, strengthening a steadfast path toward a future where cancer can be effectively combatted.

Thank you for this opportunity to testify.



**STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY**
DEPARTMENT OF HEALTH - KA 'OIHANA OLAKINO

JOSH GREEN, M.D.
GOVERNOR OF HAWAII
KE KIA'ĀINA O KA MOKU'ĀINA 'O HAWAII

KENNETH S. FINK, MD, MGA, MPH
DIRECTOR OF HEALTH
KA LUNA HO'OKELE

JOHN C. (JACK) LEWIN, M.D.
ADMINISTRATOR

1177 Alakea St., #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

February 5, 2025

To: House Committee on Higher Education
Representative Andrew Takuya Garrett, Chair
Representative Terez Amato, Vice Chair,
And Honorable Members

From: John C (Jack) Lewin MD, Administrator, SHPDA; and Senior Advisor to Governor Green
On Healthcare Innovation

Re: HB1085, HD1
Position: SUPPORT

Testimony:

SHPDA fully supports this bill appropriates funds to the Department of Health (DOH) and Department of Agriculture (DOA) to prevent, monitor, and respond to avian influenza in Hawai'i.

While we defer to the DOH and the DOA in terms of appropriation requests and to detailed response to this measure, it is critically important for this to pass and be funded to prevent the spread of avian influenza here and moreover, if not controlled, to reduce the risk of the development of potential human-to-human transmissions and a possible new pandemic in the future.

We also note the sluggish response of the federal government on this issue at this time, which underscores the importance of proactive action in Hawaii.

Mahalo for the opportunity to testify.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
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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. 1085, H.D. 1, Relating to Taxation.

BEFORE THE:

House Committee on Higher Education

DATE: Friday, February 7, 2025
TIME: 2:00 p.m.
LOCATION: University of Hawai'i at Mānoa, Bachman Hall
Board of Regents Conference Room 106

Chair Garrett, Vice-Chair Amato, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1085, H.D. 1, an Administration measure, for your consideration.

Section 1 of H.B. 1085, H.D. 1 increases the cigarette tax under section 245-3, Hawaii Revised Statutes (HRS) to 21 cents for each cigarette or little cigar sold beginning on January 1, 2026. The current rate is 16 cents per cigarette or little cigar sold.

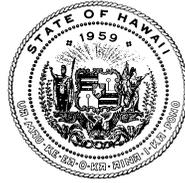
Section 2 of the measure amends the disposition of revenues under section 245-15, HRS, starting July 1, 2025, as follows:

1. The lesser of \$14,080,000 or 25% of all revenues collected under chapter 245, HRS, is to be deposited to the Hawaii Cancer Research Special Fund;
2. The lesser of \$7,400,000 or 25% of all revenues collected under chapter 245, HRS, is to be deposited to the Trauma System Special Fund;

3. The lesser of \$8,800,000 or 25% of all revenues collected under chapter 245, HRS, is to be deposited to the Community Health Centers Special Fund; and
4. The lesser of \$8,800,000 or 25% of all revenues collected under chapter 245, HRS, is to be deposited to the Emergency Medical Services Special Fund.

This measure has a defective effective date of July 1, 3000, with the proposed tax increases becoming effective on January 1, 2026. DOTAX can administer the cigarette tax increases with a January 1, 2026 effective date.

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



STATE OF HAWAII
DEPARTMENT OF HEALTH
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doh.testimony@doh.hawaii.gov

Testimony in SUPPORT of H.B. 1085, H.D. 1
RELATING TO TAXATION

REPRESENTATIVE ANDREW TAKUYA GARRETT, CHAIR
HOUSE COMMITTEE ON HIGHER EDUCATION

Hearing Date: February 7, 2025

Room Number: University of Hawaii at
Mānoa, Bachman Hall
Conference Room 106
and Videoconference

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

5 **Department Position:** The Department of Health (DOH) supports House Bill 1085, House Draft 1
6 (H.B. 1085, H.D. 1) which would impose an excise tax equal to 21.00 cents for each cigarette or
7 little cigar sold, used, or possessed by a wholesaler or dealer on and after January 1, 2026,
8 whether or not sold at wholesale, or if not sold then at the same rate upon the use by the
9 wholesaler or dealer.

10 **Department Testimony:** According to the U.S. Surgeon General, increasing the price of tobacco
11 products is the single most effective way to reduce consumption.¹ A ten percent increase in
12 price has been estimated to reduce overall cigarette consumption by 3-5%.² Research also

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>

1 suggests that both youth and young adults are two to three times more likely to respond to
2 increases in price than adults.³

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

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

14 Cigarette smoking and tobacco use also takes a financial toll on the state. The annual
15 estimated health care costs directly caused by smoking in Hawaii is \$611 million.¹⁰ Smoking-
16 caused government expenditures result in a tax burden of \$955.00 per household and \$1.1
17 billion in lost productivity in Hawaii.¹¹ In a first study of estimated healthcare costs attributable

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. August 16, 2024. <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].

¹⁰ Campaign for Tobacco-Free Kids. The Toll of Tobacco in Hawaii. August 16, 2024. <https://www.tobaccofreekids.org/problem/toll-us/hawaii>

¹¹ Campaign for Tobacco-Free Kids. The Toll of Tobacco in Hawaii. August 16, 2024. <https://www.tobaccofreekids.org/problem/toll-us/hawaii>

1 to e-cigarette use by adults, in 2018, \$1.3 billion annual healthcare expenditure or \$1,796 per
2 user was attributable to people who only used e-cigarettes. Poly or dual users of cigarettes and
3 e-cigarettes had an annual healthcare expenditure of \$13.8 billion and \$2,050 per user cost.¹²

4 The World Health Organization (WHO) recommends that tobacco taxes should be raised
5 significantly and at regular intervals to ensure that tobacco products do not become more
6 affordable.¹³ The last cigarette tax increase in Hawaii was 14 years ago in 2011¹⁴ and there was
7 an observed decrease in high school cigarette use from years prior which continued steadily
8 thereafter.¹⁵

9 The DOH supports H.B. 1085, H.D. 1 to increase the excise tax on cigarettes and little
10 cigars, and the expansion of all tobacco products including e-cigarettes for the distribution of
11 tax revenues.

12 **Offered Amendments:** None

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

¹² Wang, Yingning, Hai-Yen Sung, James Lightwood, Tingting Yao, and Wendy B. Max. "Healthcare Utilisation and Expenditures Attributable to Current E-Cigarette Use among US Adults." *Tobacco Control* 32, no. 6 (November 1, 2023): 723–28. <https://doi.org/10.1136/tobaccocontrol-2021-057058>.

¹³ *Raise taxes on tobacco*. (n.d.). Retrieved January 31, 2024, from <https://www.who.int/data/gho/data/themes/topics/raise-taxes-on-tobacco>

¹⁴ Act 59, HB1985, CD1, SLH 2010, retrieved 2/01/24 from https://www.capitol.hawaii.gov/sessions/session2010/bills/HB1985_CD1_.pdf

¹⁵ HHDW. (2005-2021). Youth Risk Behavior Survey (YRBS) Current smoking- high school. https://hhdw.org/report/query/result/yrbs/CigsCurr/CigsCurr_HS_ST.html



**STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY**
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January 27, 2025

To: Senate Committee on Higher Education
Chair Andrew Takuya Garrett
Vice Chair Terez Amato
And Honorable Members

From: John C (Jack) Lewin MD, Administrator, SHPDA; and Senior Advisor to Governor Green
On Healthcare Innovation

Re: HB 1085 HD1 – RELATING TO TAXATION (Cigarette Taxes)

Position: SUPPORT, WITH RESERVATION

Testimony:

SHPDA fully supports the intent of this bill which increases the tax rates for cigarettes and little cigars to 21.00 cents beginning 1/1/2026, amends the disposition of tax revenues to certain non-general funds starting from fiscal year 2026-2027, with the excess carrying over to the general fund, and expands the tax disposition of tax revenues to the funds to include all tobacco product taxes. Repeals obsolete historical tax rates.

However, SHPDA strongly prefers this to a nearly identical bill, HB 441 HD1, which raises the tax rates for cigarettes and little cigars to 18.00 cents beginning 1/1/2026

A key part of SHPDA's mission is to promote universal access to high-quality, equitable, and affordable healthcare, which includes using health data to systematically monitor and promote improvements in healthcare outcomes and population health, including advancing disease prevention and promotion of medical research to help support these goals.

Raising cigarette taxes has been demonstrated to reduce rates of smoking, which in turn reduces the incidence of lung cancer, emphysema, heart disease, and various other causes of cancer and chronic illness. That said, we believe the 21.00 cent per cigarette tax increase in HB 1085 HD1 is superior and fully warranted, and that that bill should prevail.

Bottom line: 21 cents is better than 18 cents!

Mahalo for the opportunity to testify.



February 7, 2025 at 2:00 pm
University of Hawai'i at Mānoa, Bachman Hall
Board of Regents Conference Room 106

House Committee on Higher Education

To: Chair Andrew Takuya Garrett
Vice Chair Terez Amato

From: Paige Heckathorn Choy
AVP, Government Affairs
Healthcare Association of Hawaii

Re: **Support**
HB 1085 HD 1, Relating to Taxation

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 170 member organizations who represent almost every aspect of the health care continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high-quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 30,000 people statewide.

Thank you for the opportunity to testify in **support** of this measure, which seeks to increase taxes on tobacco products to provide funding for various special funds, including the trauma special fund. Tobacco use remains a leading cause of preventable illness and death, placing a significant burden on our healthcare system. Increasing the tax on tobacco products not only discourages use but also generates much-needed revenue to support critical health initiatives.

The trauma special fund, in particular, ensures that our state's trauma system remains well-equipped to respond to emergencies, including mass casualty events and disasters such as the recent fireworks tragedy in Aliamanu. Without sustained funding, our hospitals and emergency responders would face greater challenges in providing lifesaving care when communities need it most.

This measure can help to support both public health and financial stability for emergency medical services, trauma care, and other essential health programs. We appreciate the legislature's continued commitment to ensuring access to high-quality, accessible emergency care for all residents and thank you for the opportunity to testify on this measure.



HB1085 HD1 Cigarette Tax

COMMITTEE ON HIGHER EDUCATION

Rep. Andrew Takuya Garrett, Chair

Rep. Terez Amato, Vice Chair

Fri day, Feb 7, 2025: 9:15: Room 106 Videoconference

Hawaii Substance Abuse Coalition Supports HB1085 HD1:

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 to 21 cents that is customary to happen every few years.

The increase provides revenue to the state and helps to discourage youth use.

HSAC supports the changes in allocations that some of the amount of tax increase go to the Hawaii Cancer research special fund, the trauma system special fund, the Community Health Centers, and the emergency medical services special fund as well as overflow to the general fund.

All these fund allocations help to support the state's budget.

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



Hawaii Medical Association

1360 South Beretania Street, Suite 200 • Honolulu, Hawaii 96814
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HOUSE COMMITTEE ON HIGHER EDUCATION
Representative Andrew Takuya Garrett, Chair
Representative Terez Amato, Vice Chair

Date: February 7, 2025
From: Hawaii Medical Association (HMA)
Jerald Garcia MD - Chair, HMA Public Policy Committee

RE HB 1085 Relating to Taxation- Cigarette Tax; Tobacco Tax; Disposition of Revenues Position: Support

This measure would increase the tax rates for cigarettes and little cigars beginning 1/1/2026; amends the disposition of tax revenues to certain non-general funds starting from fiscal year 2026-2027, with the excess carrying over to the general fund; and expands the tax disposition of tax revenues to the funds to include all tobacco product taxes. Repeals obsolete historical tax rates.

Smoking is the number one cause of preventable disease and death worldwide. In Hawaii, smoking-related healthcare costs \$611 million per year, and smoking causes most lung cancers, with nearly 9 out of 10 lung cancer deaths caused by smoking cigarettes or secondhand smoke exposure.

State agencies, healthcare professionals, health systems and insurers will continue to work together with lawmakers to reduce smoking and the associated cancer burden in Hawaii. The UH Cancer Center is an important partner in Hawaii's progress for prevention, diagnosis and treatment of smoking related cancers. Modest increases in tax on tobacco products can not only induce some smokers to quit and deter others from starting, but also support Hawaii patient counseling, cessation remedies and vital Hawaii cancer research. HMA supports this measure that can both reduce the harmful effects of smoking in our community and support ongoing cancer initiatives in our state.

Thank you for allowing the Hawaii Medical Association to testify in support of this measure.

2025 Hawaii Medical Association Officers

Elizabeth Ann Ignacio, MD, President • Nadine Tenn-Salle, MD, President Elect • Angela Pratt, MD, Immediate Past President
Jerris Hedges, MD, Treasurer • Thomas Kosasa, MD, Secretary • Marc Alexander, Executive Director

2024 Hawaii Medical Association Public Policy Coordination Team

Jerald Garcia, MD, Chair
Linda Rosehill, JD, Government Relations • Marc Alexander, Executive Director

References and Quick Links:

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2024 Hawaii Medical Association Officers

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2024 Hawaii Medical Association Public Policy Coordination Team

Beth England, MD, Chair
Linda Rosehill, JD, Government Relations • Marc Alexander, Executive Director

Friday, February 7, 2025 at 2:00 PM

Via Video Conference
University of Hawai'i at Manoa, Bachman Hall
Board of Regents Conference Room 106
2444 Dole Street
Honolulu, Hawai'i 96822

House Committee on Higher Education

To: Representative Andrew Garrett, Chair
Representative Terez Amato, Vice Chair

From: Michael Robinson
Vice President, Government Relations & Community Affairs

**Re: Testimony in Support of HB 1085, HD1
Relating to Taxation**

My name is Michael Robinson, and I am the Vice President of Government Relations & Community Affairs at 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.

HPH writes in SUPPORT of HB 1085, HD1 which increases the tax rates for cigarettes and little cigars beginning on 1/1/2026 and amends the disposition of the tax revenues to certain non-general funds starting from fiscal year 2026-2027. The excess funds will carry over to the general fund, and the disposition tax revenues to the fund will be expanded to include all tobacco product taxes.

The revenue generated by the cigarette tax has supported various health care services, such as the Hawai'i Cancer Research Center, the State Trauma System, community health centers and emergency medical services. With the decline cigarette tax over the years, there has been a decrease by over 50% in revenues to the Hawai'i Cancer Research Special Fund, Community Health Centers Special Fund and Emergency Medical Services Special Fund. This decline jeopardizes the availability of resources for vital health care services. For the Hawai'i Cancer Research Center, the decline in revenue had led to a shortfall in the debt service for the revenue bonds that were sold to construct the cancer center.

The increase in the cigarette tax will create a sustained stream of revenue which will continue to support many health care services in Hawai'i that are critical to the health and wellbeing of the people and communities of the state.

Thank you for the opportunity to testify.



Hawaii COPD Coalition

P O Box 240053

Honolulu, HI 96824

hicopd@gmail.com

(808)699-9839

February 5, 2025

Honorable Chair Andrew Takuya Garrett
Honorable Vice-Chair Terez Amato
Members of the House Committee on Higher Education

RE: **Strong Support for HB1085,HD1 Relating to Taxation**

Dear Chair Andrew Takuya Garrett, Vice Chair Terez Amato, and members of the House Committee on Higher Education,

This measure is extremely critical to the health of the children of our state and our entire state as well. **Please pass HB1085,HD1** which would **raise the cigarette tax at least \$1/cigarette pack**. This will help discourage youth use. In particular, I would urge this legislature to **raise the tax at least \$1/pack**, as this will show a much stronger deterrent effect and cause a greater number of people to either never start smoking or quit if they have started. Research has shown that at least 2400 adults currently smoking would quit, 100 adults aged 18-24 would quit and there would be a 7.4% decrease in youth under 18 that smoke.

I am Executive Director of the Hawaii COPD Coalition and serve over 45,000 Hawaii adults diagnosed with COPD in Hawaii (with an estimated equal number still undiagnosed). Chronic Obstructive Pulmonary Disease or COPD is an umbrella of diseases which include emphysema, chronic bronchitis and chronic asthma. Since 2007, I have worked in Hawaii, nationally and internationally with countless people who have had their lungs and lives horribly affected by tobacco and nicotine. Many of these people have become disabled and unable to perform jobs and hobbies they enjoyed, spending a lot more time and resources with healthcare providers and requiring support from society than they or any of us would like.

Research shows conclusively that significant price increases reduce tobacco use among youth. Please help protect the lungs and lives of our children from cigarettes. We urge you to please **vote in favor of HB1085, HD1 and be sure that the tax increase is at least \$1/pack, pass it out of committee so our keiki and community will be protected via higher tobacco taxes**. The Hawaii COPD Coalition thanks you very much for your careful consideration of this most important and timely bill.

Very truly yours,

Valerie Chang

Valerie Chang
Executive Director



The Honorable Andrew Takuya Garrett
Chair
House Committee on Higher Education
Hawai'i State Capitol, Room 323
415 South Beretania Street
Honolulu, HI 96813

Dear Chair Garrett and members of the Committee,

On behalf of Japan Tobacco International U.S.A., Inc. (JTI USA), an importer and distributor of tobacco products based in Raleigh, NC, I write to express our opposition to the proposed increase in the state's excise tax on cigarettes. JTI USA firmly believes minors should never access or consume tobacco products. However, informed adults should retain the freedom to legally purchase tobacco products. We stand with our partners—retailers, distributors, and adult consumers—in opposing the \$1 a pack tax increase proposed in HB 1085 and instead urge the consideration of HB 441.

JTI USA supports evidence-based, proportionate regulation and recognizes the fiscal challenges facing the state. While we understand the role of reasonable taxation, any necessary tax increases should be moderate and consider neighboring states' tax rates to minimize unintended consequences, such as cross-border sales or revenue loss. The proposed increase in the state excise tax (SET) to \$4.20 would provide only a temporary boost in cigarette tax revenue, while imposing lasting harm on tax-paying businesses and adult consumers. States that raised cigarette excise taxes by 75 cents to \$1.75 per pack saw legal cigarette volumes drop by 20–30%, largely driven, not by a reduction in consumption, but due to inflows of cross-border smuggling¹.

According to data from the Mackinac Center for Public Policy, smuggled cigarettes accounted for 54.5% of total cigarette consumption in New York. Tax increases in 2021 in Colorado, Maryland, and Oregon led to substantial increases in the cross-border smuggling rates, yielding a dramatic decrease in tax revenue totaling hundreds of millions of dollars². All told substantial increases in the SET lead to significant financial shortfalls compared to the optimistic budget projections used to justify those same increases.

¹ Adam Hoffer, "Cigarette Taxes and Cigarette Smuggling by State, 2021," Tax Foundation, December 2023, <https://taxfoundation.org/data/all/state/cigarette-taxes-cigarette-smuggling-2023/>

² Michael Lafaive and Todd Nesbit, "Cigarette Taxes & Smuggling," Mackinac Center for Public Policy, June 2023, <https://www.mackinac.org/smokes>



Additionally, cross-border purchases would further reduce future state sales tax revenue, as consumers take less trips to local businesses. Retailers, already struggling with financial pressures from inflation, would face additional revenue losses across all product categories as shoppers adjust their buying habits—potentially crossing state lines to find more affordable alternatives.

History has shown that disproportionate increases in the SET often reduce, rather than increase, tax revenue, while placing additional fiscal strain on the state. We urge the state to avoid repeating these mistakes, which would harm local retailers and burden taxpaying adults. Instead, we encourage the State Legislature to explore long-term, sustainable solutions for raising revenue that protect businesses and consumers. In this light we believe consideration of the lower proposed increase in HB 441 would be warranted to increase revenue while not hurting consumers, retailers, and the state's budget.

Sincerely,

A handwritten signature in black ink, appearing to read 'John McDonald', is positioned below the word 'Sincerely,'.

John McDonald
Corporate Affairs & Communications



To: The Honorable Andrew Takuya Garrett, Chair
The Honorable Terez Amato, Vice Chair
Members, House Committee on Higher Education

From: Jacce Mikulanec, Director, Government Relations, The Queen's Health Systems

Date: February 7, 2025

Re: Support for HB1085 HD1: Relating to Taxation

The Queen's Health Systems (Queen's) is a nonprofit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, and more than 10,000 affiliated physicians, caregivers, and dedicated medical staff statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to provide testimony in support of HB1085 HD1, which increases the tax rates for cigarettes and little cigars beginning 1/1/2026, amends the disposition of tax revenues to certain non-general funds starting from fiscal year 2026-2027, with the excess carrying over to the general fund, and expands the tax disposition of tax revenues to the funds to include all tobacco product taxes.

The Queen's Medical Center is a long-standing member of the University of Hawaii Cancer Consortium, of which members have a common goal to eliminate cancer through research. The UH Cancer Center is one of only 72 institutions in the United States that hold the prestigious National Cancer Institute (NCI) designation and is the only NCI-designated center in the Pacific. The NCI designation provides cancer researchers in Hawaii with greater access to federal funding and research opportunities. More importantly, it gives the people of Hawaii and the Pacific region access to many innovative and potentially life-saving clinical trials without the necessity of traveling to the mainland.

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

The mission of The Queen's Health System is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.



HIPHI Board

May Okihiro, MD, MS
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Department of Pediatrics*

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*Medical-Legal Partnership
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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 Network

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: February 6, 2025

To: Representative Andrew Takuya Garrett, Chair
Representative Terez Amato, Vice Chair
Members of the House Committee on Higher Education

RE: Support for HB 1085 HD1, Relating to Taxation

Hrg: Friday, February 7, 2025 at 2:00 PM, UH Mānoa, Board of Regents
Conference Room 106

The Coalition for a Tobacco-Free Hawai'i, a program of the Hawai'i Public Health Institute,¹ is in **support of HB 1085 HD1**, which would increase the tax on cigarettes and little cigars by \$1.00 per pack and amends the disposition of tobacco tax revenues.

Raising taxes on tobacco products is a proven strategy to help reduce tobacco product use and dependence, and can be a benefit for public health. Small tax increases do not produce the same public health benefit because the tobacco industry can easily offset the beneficial impact of a small tax increase with temporary price cuts and coupons. As an example, the projected outcome of a \$1.00 price increase in the cost of a pack of cigarettes would result in approximately 2,000 adults in our state quitting smoking.²

The burden of tobacco in Hawai'i.

Tobacco-related disease continues to be the leading cause of preventable death in the United States, resulting in 480,000 deaths annually, with 1,400 of those deaths happening each year in Hawai'i.³ At the population level, 10% of adults in Hawai'i are still smoking cigarettes according to our most recent survey data; ten years prior the rate was 14.6%. Although we've seen a decline, health inequities still exist, and our Native Hawaiian adult smoking rate is much closer to 20%.⁴ In addition, tobacco-related diseases cost Hawai'i \$611M in healthcare costs.

Tobacco taxes protect youth.

When the price of goods increases, price-sensitive youth buy them less. The last time Hawai'i raised the cigarette tax was over 13 years ago in 2011, a decline in youth use followed. In 2011, 10% of youth reported currently using cigarettes. By 2019, 5% of youth reported currently using cigarettes.⁵ The projected outcome with a \$1 increase in the cost of a pack of cigarettes would be a 7.4% decrease in youth (under 18) smoking, and 100 young adults (18-24) would quit smoking.⁶



A cigarette tax increase is overdue.

The cigarette tax was last raised in July 2011. Increasing cigarette taxes regularly corrects for inflation and consumer purchasing power. Likewise, raising the taxes on other tobacco products must be done in tandem to reduce consumption and dependence on tobacco products. This increase helps to stop youth from using cigarettes and encourages adults to quit.

According to an independent poll conducted by Ward Research on behalf of the Coalition, 78% of registered Hawai'i voters support an increase in cigarette taxes, and 89% feel that it is important for the state to dedicate part of its tobacco tax revenue to support tobacco prevention and cessation programs.⁷ Currently, no revenue from tobacco taxes is appropriated for tobacco prevention and cessation. When the price of tobacco increases, more people seek help to quit and we need to ensure programs are available and accessible by the public to help them quit. Populations that continue to experience higher rates of smoking would be the primary beneficiaries of these prevention and cessation activities, helping to provide resources needed to quit smoking and to help cut the high costs associated with tobacco use. We humbly ask that a portion of the proposed tobacco tax revenue be dedicated to supporting tobacco prevention and cessation programs.

We applaud the Legislature for considering this measure, which will strengthen the health of our state. The Coalition supports HB 1085 HD1 and asks you to pass this measure out of committee.

Mahalo,

A handwritten signature in black ink that reads "Kevin Ramirez". The signature is fluid and cursive.

Kevin Ramirez
Coalition for a Tobacco-Free Hawai'i Program Manager
Hawai'i Public Health Institute

¹ 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.

² Boonn, A., Chaloupka, F. J., & Henkle, D. (2025). (publication). New Revenues, Public Health Benefits & Cost Savings From a \$1.00 Cigarette Tax Increase in Hawaii.



3 Centers for Disease Control and Prevention. (2023, May 4). *Burden of cigarette use in the U.S.* Centers for Disease Control and Prevention.

<https://www.cdc.gov/tobacco/campaign/tips/resources/data/cigarette-smoking-in-united-states.html>

3 *The toll of tobacco in Hawaii.* Campaign for Tobacco-Free Kids. (2024, August 16).

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

4 Hawaii Health Matters. (2024, February). *Hawaii health matters.* Hawaii Health Matters :: Indicators :: Adults Who Smoke Cigarettes :: State : Hawaii.

<https://www.hawaiihealthmatters.org/indicators/index/view?indicatorId=8&localeId=14&localeChartIdx=1|6>

5 Hawaii Health Matters. (n.d.). *Hawaii health matters.* Hawaii Health Matters :: Indicators :: Teens Who Smoke Cigarettes :: State : Hawaii.

<https://www.hawaiihealthmatters.org/?module=indicators&controller=index&action=view&comparisonId=&indicatorId=2584&localeType=1&localeId=14&periodId=244>

6 Boonn, A., Chaloupka, F. J., & Henkle, D. (2025). (publication). *New Revenues, Public Health Benefits & Cost Savings From a \$1.00 Cigarette Tax Increase in Hawaii.*

7 This study by Ward Research, Inc. summarizes findings from a phone survey among n=700 Hawai'i registered voters (maximum sampling error +/- 3.7%), conducted between October 25 to November 22, 2024.



1325 G Street, NW, Suite 950 • Washington, D.C. 20005 • 202.464.6200 • taxfoundation.org

Memorandum

Date: February 6, 2025

To: Members of the House Committee on Higher Education

From: Jacob Macumber-Rosin, Excise Tax Policy Analyst, Tax Foundation

Subject: Hawaii HB 1085 Regarding a Cigarette Tax Increase

House Bill 1085 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 should not be levied. 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.¹ In Hawaii, households in the lowest quintile face an effective tax rate that is 10 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%	10.0%
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/>.

The Special Funds furnished by cigarette and/or tobacco product taxes are facing declining revenues. Unfortunately, excise taxes, particularly those applied to a shrinking tax base, make a poor policy solution to a shortfall. Excise taxes supply a volatile source of tax revenue, and many excise tax revenues decrease over time while revenue needs for government services grow.

¹ 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>.

A tax increase on cigarettes is likely to increase revenue in the short term. The additional revenue generated from the higher cigarette tax rate will decrease each year, however, as the number of smokers continues to fall.

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. Thank you for your time.



Committee on Higher Education
Rep. Andrew Garrett, Chair
Rep. Terez Amato, Vice Chair

Hearing Date: Friday, February 6, 2025

ACS CAN SUPPORTS HB 1085 – RELATING TO TAXATION.

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

Thank you for the opportunity to **SUPPORT** HB 1085: Relating to Taxation.

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 (UH Cancer Center). This year, more than 9,000 residents from Hawai‘i will be diagnosed with cancer, with more than 2,000 residents expected to die from the disease. Projections in 2025 mark an uptick in cases, but a decline in deaths compared to 2024.

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. UH Cancer Center is the only NCI-designated cancer center in the Pacific and top 4% of all cancer centers in the U.S.

ACS CAN commends the legislature for considering increasing the amount of the cigarette tax by 5 cent per cigarette (or a \$1.00 per pack of cigarettes increase). Increasing the tax on cigarettes by \$1.00 per pack would generate \$10.84 million in new annual revenue as well as reduce youth smoking by 6.9%, help 2,000 adults who smoke quit, and save 500 lives. Cigarette

taxes have not increased since 2011. This would allow additional funding for the UH Cancer Center while improving the health of our state by reducing tobacco use.

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.

Cigarette Tax Increases That Deliver: \$1.00 or More Per Pack are Needed to Ensure a Public Health Impact

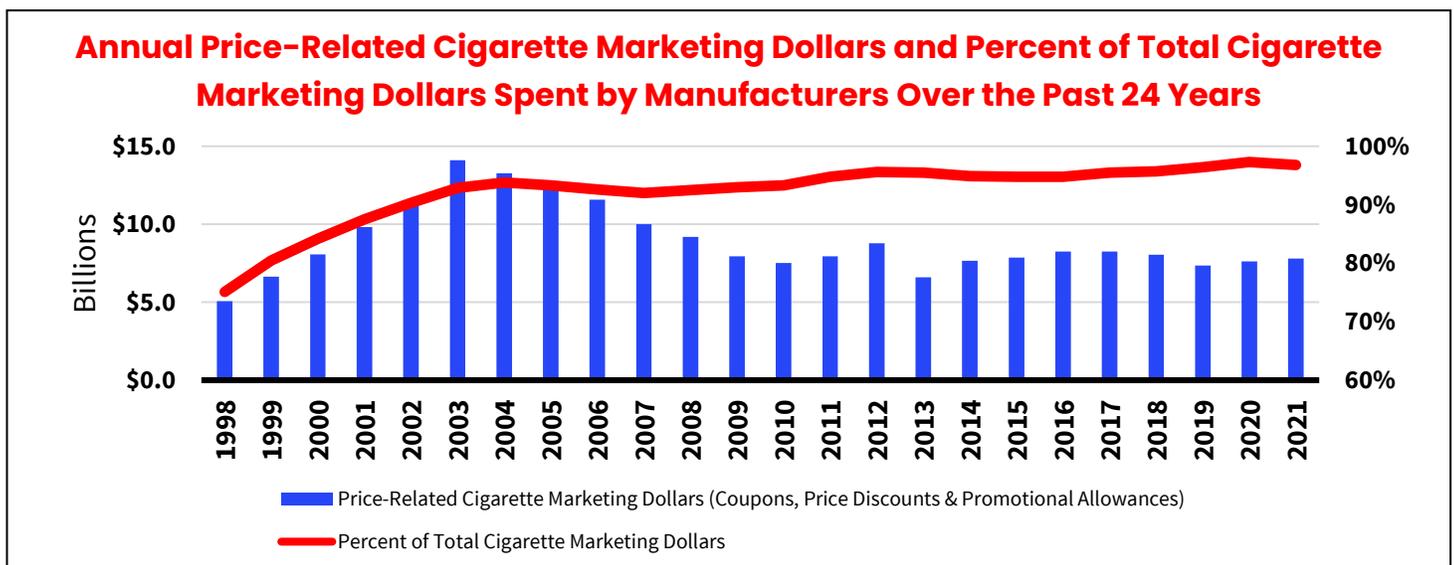
The American Cancer Society Cancer Action Network (ACS CAN) supports a comprehensive approach to tobacco control that includes significantly increasing excise taxes on all forms of tobacco. Regular, significant excise tax increases of \$1.00 or more per pack of cigarettes are one of the most effective ways to prevent kids from starting to use cigarettes and to help adults quit. Tobacco excise taxes can also reduce tobacco-related health disparities among people with limited incomes, pregnant persons and among racial and ethnic populations.^{i,ii,iii}

To Discourage Cigarette Use Excise Tax Increases Must be High Enough to Impact Price

In order for cigarette excise tax increases to help people quit and prevent youth from ever starting the increases must be large enough to significantly impact the price of cigarettes for consumers. While cigarette excise tax increases of smaller amounts may generate small amounts of additional revenue, they fail to significantly reduce tobacco use.

The Tobacco Industry Uses Coupons and Discounts to Actively Undermines Excise Tax Increases

The goal of tobacco companies is to protect profits by getting and keeping people addicted to tobacco.^{iv} Significant increases to cigarette excise taxes run counter to this goal. Therefore, when cigarette excise taxes are increased, major tobacco companies flood the market with coupons and discounts, such as “buy-one-get-one-free” offers, to keep the overall cost of tobacco products low discourage consumers from quitting. In fact, the tobacco industry now spends most of its marketing dollars on price-reducing tactics known to be most appealing to individuals with limited-income and other price-sensitive individuals, like kids.^v



American Cancer Society Cancer Action Network | 655 15th Street, NW, Suite 503 | Washington, DC 20005

 @ACSCAN |  @ACSCAN | fightcancer.org

Significant excise tax increases of at least \$1.00 or more per pack of cigarettes are needed to prevent these price-reducing tactics and achieve the public health goal of reducing tobacco use. Cigarette excise tax increases of less than \$1.00 per pack allow the industry to easily offset any price hikes with coupons, discounts, and other price-lowering sales promotions.

In the last 24 years, the percent of total cigarette marketing dollars spent by the industry on all its price-reducing tactics has grown significantly. In fact, in 2021 the two largest spending categories for cigarette marketing were retail and wholesale price discounts – despite the total number of cigarettes sold reducing by 6.7% in 2021 from 2020. Payments to retailers and wholesalers for price discounts and promotional allowances combined totaled \$7.65 billion, or 94.9% of all cigarette marketing dollars in 2021.^{vi} Tobacco manufacturers continue to rely heavily on price-reducing tactics to not only undermine tobacco excise tax increases, but research has shown these strategies also encourage smoking initiation and hinder smoking cessation attempts.^{vii,viii}



ACS CAN's Position

Increases in cigarette excise taxes of at least \$1.00 per pack will ensure a public health impact of reducing tobacco use is achieved, despite industry attempts to offset price increases and keep prices low. Increases higher than \$1.00 per pack can deliver health and revenue benefits for the state. ACS CAN recommends directing new tobacco excise tax revenues to fund fact-based tobacco prevention and cessation programs to further amplify the public health benefits of the excise tax increase. Lastly, there should be tax parity for all tobacco products, including e-cigarettes, pipe tobacco, cigars, snus, hookah and all other smokeless tobacco products.

ⁱ The Community Guide. Tobacco Use: Interventions to Increase the Unit Price for Tobacco Products. November 2012. Retrieved from <https://www.thecommunityguide.org/findings/tobacco-use-interventions-increase-unit-price-tobacco>.

ⁱⁱ Centers for Disease Control and Prevention (CDC). Response to increases in cigarette prices by race/ethnicity, income, and age groups--United States, 1976-1993. *MMWR Morb Mortal Wkly Rep.* 1998 Jul 31;47(29):605-9. PMID: 9699809.

ⁱⁱⁱ Ringel, J.S., and Evans, W. "Cigarette Taxes and Smoking During Pregnancy," *Am J Public Health*, 2001 November; 91(11): 1851-1856. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1446890/>.

^{iv} For a review of how tobacco companies view the corporate impact of cigarette tax increases, see: Campaign for Tobacco-Free Kids: "Raising Cigarette Taxes Reduces Smoking, Especially Among Kids (and the Cigarette Companies Know it)." Updated March 15, 2021. <https://www.tobaccofreekids.org/assets/factsheets/0146.pdf>.

^v Regarding the effect of price discounts on population segments, see: Xu, X., Wang, X., Caraballo, R. "Is Every Smoker Interested in Price Promotions? An Evaluation of Price-Related Discounts by Cigarette Brands," *J Public Health Management Practice*, 2016, 22(1), 20-28.

^{vi} U.S. Federal Trade Commission (FTC), Cigarette Report for 2021, January 2023, https://www.ftc.gov/system/files/ftc_gov/pdf/p114508cigarettereport2021.pdf [data for top 4 manufacturers only: Altria Group, Inc.; ITG Holdings USA Inc.; Reynolds American, Inc.; and Vector Group Ltd.].

^{vii} Wang Y, Duan Z, Weaver SR, Self-Brown SR, Ashley DL, Emery SL, Huang J. The Short-Term and Long-Term Associations Between Receiving Tobacco Discounts or Coupons and Smoking Cessation Among U.S. Adult Cigarette Smokers With Intention to Quit. *Nicotine Tob Res.* 2023 Mar 22;25(4):699-708. doi: 10.1093/ntr/ntac216. PMID: 36124654; PMCID: PMC10032185.

^{viii} Liber AC, Sánchez-Romero LM, Cadham CJ, Yuan Z, Li Y, Oh H, Cook S, Warner KE, Henriksen L, Mistry R, Meza R, Fleischer NL, Levy DT. Tobacco Couponing: A Systematic Review of Exposures and Effects on Tobacco Initiation and Cessation. *Nicotine Tob Res.* 2022 Oct 17;24(10):1523-1533. doi: 10.1093/ntr/ntac037. PMID: 35143678; PMCID: PMC9575981.

American Cancer Society Cancer Action Network | 655 15th Street, NW, Suite 503 | Washington, DC 20005

@ACSCAN | @ACSCAN | [fightcancer.org](https://www.fightcancer.org)

Updated 7.07.23



NEW REVENUES, PUBLIC HEALTH BENEFITS & COST SAVINGS FROM A \$1.00 CIGARETTE TAX INCREASE IN HAWAII

- The current state cigarette tax is \$3.20 per pack (8th among all states and DC).
- Annual health care expenditures in Hawaii directly caused by tobacco use are \$611 million.

Projected New Annual Revenue from Increasing the Cigarette Tax by \$1.00 Per Pack: \$10.84 million

New Annual Revenue is the amount of additional new revenue the first full year the tax increase is in effect. The state will collect less new revenue if it fails to apply the rate increase to all cigarettes and other tobacco products held in wholesaler and retailer inventories on the effective date.

Projected Public Health Benefits for Hawaii from the Cigarette Tax Rate Increase	
Percent decrease in youth (under age 18) smoking:	6.9%
Youth under age 18 kept from becoming adults who smoke:	500
Reduction in young adults who smoke (18-24 years old):	100
Current adults who smoke who would quit:	2,000
Premature smoking-caused deaths prevented:	500
5-Year reduction in the number of smoking-affected pregnancies and births:	80
5-Year health care cost savings from fewer smoking-caused lung cancer cases:	\$360,000
5-Year health care cost savings from fewer smoking-affected pregnancies and births:	\$190,000
5-Year health care cost savings from fewer smoking-caused heart attacks & strokes:	\$220,000
5-Year Medicaid program savings for the state:	\$990,000
Long-term health care cost savings from adult & youth smoking declines:	\$31.80 million

12.24.24 ACS CAN / January 24, 2025

- Small tax increase amounts do not produce significant public health benefits or cost savings because the cigarette companies can easily offset the beneficial impact of such small increases with temporary price cuts, coupons, and other promotional discounting. Splitting a tax rate increase into separate, smaller increases in successive years will similarly diminish or eliminate the public health benefits and related cost savings (as well as reduce the amount of new revenue).
- Raising state tax rates on other tobacco products (OTPs), including e-cigarettes, to parallel the increased cigarette tax rate will bring the state additional revenue, public health benefits, and cost savings (and promote tax equity). With unequal rates, the state loses revenue each time someone who smokes cigarettes switches to other tobacco products taxed at a lower rate. To parallel the new \$4.20 per pack cigarette tax, the state's new OTP tax rate should be a percentage of the wholesale price with minimum tax rates for each major OTP category linked to the state cigarette tax rate on a per-package or per-dose basis.

Explanations & Notes

Health care costs listed at the top of the page are from the U.S. Centers for Disease Control and Prevention (CDC). Annual health care expenditures in Hawaii directly caused by tobacco use are in 2018 dollars and are based on the CDC's 2014 *Best Practices for Comprehensive Tobacco Control Programs*.

Projections are based on research findings that nationally, each 10% increase in the retail price of cigarettes reduces youth smoking by 6.5%, young adult prevalence by 3.25%, adult prevalence by 2%, and total cigarette consumption by about 4% (adjusted down to account for tax evasion effects). However, the impact of the tax increase varies from state-to-state, based on the starting pack price. Significant tax increases generate new revenues because the higher tax rate per pack brings in more new revenue than is lost from the tax-related drop in total pack sales.

The projections also incorporate the effect of ongoing background smoking declines, population distribution, and the continued impact of any industry pricing changes, state cigarette tax increases, or other changes in cigarette tax policies on prices, smoking levels, and pack sales.

These projections are fiscally conservative because they include a generous adjustment for lost state pack sales (and lower net new revenues) from possible new smuggling and tax evasion after the rate increase and from fewer sales to people who smoke or smugglers from other states, including sales on tribal lands. For ways that the state can protect and increase its tobacco tax revenues and prevent and reduce contraband trafficking and other tobacco tax evasion, see the Campaign for Tobacco-Free Kids (CTFK) factsheet, *State Options to Prevent and Reduce Cigarette Smuggling and to Block Other Illegal State Tobacco Tax Evasion*, <https://www.tobaccofreekids.org/assets/factsheets/0274.pdf>.

Projected numbers of youth prevented from smoking and dying are based on all youth ages 17 and under alive today. Projected reduction in young adults who smoke refers to young adults ages 18-24 who would not start smoking or would quit as a result of the tax increase. Savings to state Medicaid programs include estimated changes in enrollment due to the expiration of pandemic-related federal legislation prohibiting states from removing enrollees. Long-term cost savings accrue over the lifetimes of persons who stop smoking or never start because of the tax rate increase. All cost savings are in 2025 dollars.

Projections for cigarette tax increases much higher than \$1.00 per pack are limited, especially for states with relatively low current tax rates, because of the lack of research on the effects of larger cigarette tax increase amounts on consumption and prevalence. Projections for cigarette tax increases much lower than \$1.00 per pack are also limited because small tax increases are unlikely to produce significant public health benefits.

Ongoing reductions in state smoking rates will, over time, gradually erode state cigarette tax revenues, in the absence of any new rate increases. However, those declines are more predictable and less volatile than many other state revenue sources, such as state income tax or corporate tax revenues, which can drop sharply during recessions. In addition, the smoking declines that reduce tobacco tax revenues will simultaneously produce much larger reductions in government and private sector smoking-caused health care and other costs over time. See the CTFK factsheet, *Tobacco Tax Increases are a Reliable Source of Substantial New State Revenue*, <https://www.tobaccofreekids.org/assets/factsheets/0303.pdf>.

The projections in the table on this fact sheet were generated using an economic model developed jointly by Economics for Health, the Campaign for Tobacco-Free Kids, the American Cancer Society Cancer Action Network, and are updated annually. The projections are based on economic modeling by researchers with Economics for Health: Frank Chaloupka, Ph.D., and John Tauras, Ph.D., at the Institute for Health Research and Policy at the University of Illinois at Chicago, Jidong Huang, Ph.D., at Georgia State University, and Michael Pesko, Ph.D., at the University of Missouri. The state Medicaid cost savings projections, when available, are based on enrollment and cost estimates by Elizabeth Zhang and Gideon Lukens at the Center on Budget and Policy Priorities using data from the Centers for Medicare and Medicaid Services.

For other ways states can increase revenues (and promote public health) beyond just raising cigarette tax rates, see the CTFK factsheet, *The Many Ways States Can Raise Revenue While Also Reducing Tobacco Use and Its Many Harms & Costs*, <https://www.tobaccofreekids.org/assets/factsheets/0357.pdf>.

Additional information and resources to support tobacco tax increases are available at:

<https://www.tobaccofreekids.org/what-we-do/us/state-tobacco-taxes/fact-sheets>

<http://fightcancer.org/tobacco/taxes/>

<https://www.economicsforhealth.org/>

For more on sources and calculations, see <https://www.tobaccofreekids.org/assets/factsheets/0281.pdf> or <https://www.fightcancer.org/policy-resources/state-tobacco-tax-increases-explanations-and-sources-projections-new-revenues>.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TOBACCO, Tax Hike, Changes Earmarks

BILL NUMBER: HB 1085 HD 1

INTRODUCED BY: House Committee on Health

EXECUTIVE SUMMARY: Increases the tax rates for cigarettes and little cigars beginning 1/1/2026, amends the disposition of tax revenues to certain non-general funds starting from fiscal year 2026-2027, with the excess carrying over to the general fund, and expands the tax disposition of tax revenues to the funds to include all tobacco product taxes. Repeals obsolete historical tax rates.

SYNOPSIS: Amends section 245-3(a), HRS, to increase the per-cigarette tax from 16 cents to 21 cents on January 1, 2026.

Amends section 245-15, HRS, to provide different earmarks going to the following special funds:

Special Fund	Old Earmark (Present Law)	New Earmark Effective July 1, 2025
Hawaii Cancer Research Special Fund	2 cents per cigarette	25% or \$14,080,000, whichever is less
Trauma System Special Fund	1.125 cents per cigarette, up to \$7,400,000 in a fiscal year	25% or \$7,400,000, whichever is less
Community Health Centers Special Fund	1.25 cents per cigarette, up to \$8,800,000 in a fiscal year	25% or \$8,800,000, whichever is less
Emergency Medical Services Special Fund	1.25 cents per cigarette, up to \$8,800,000 in a fiscal year	25% or \$8,800,000, whichever is less

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: This is an Administration bill sponsored by the Office of the Governor and designated GOV-12 (25).

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.

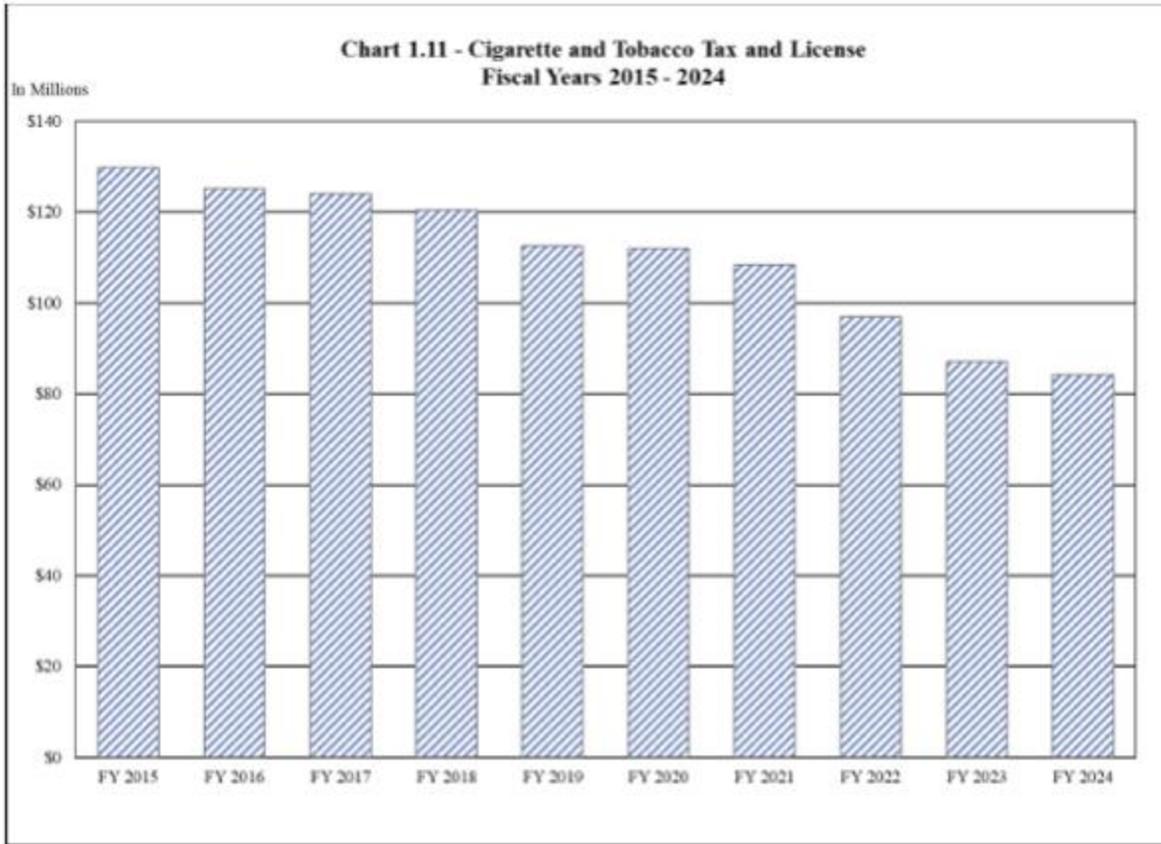
The irony is that arguments to increase the tax on tobacco and, more specifically, cigarettes, is a goal of getting smokers to quit while depending on the revenues from tobacco and cigarette taxes to fund an ongoing program, in this case the Cancer Research Center. So, which is it folks, stop smokers 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 (2023-2024), 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: 2/5/2025

HB-1085-HD-1

Submitted on: 2/6/2025 10:40:41 AM

Testimony for HED on 2/7/2025 2:00:00 PM

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

Comments:

We stand in strong opposition to this tax increase.

HB-1085-HD-1

Submitted on: 2/6/2025 11:05:25 AM

Testimony for HED on 2/7/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
William L. Goo	Cigar Association of America	Oppose	Written Testimony Only

Comments:

Oppose.

February 7, 2025

To: Members of the Hawaii House HED Committee
From: Americans for Tax Reform
Re: **Oppose HB 1085**

Dear Representative,

On behalf of Americans for Tax Reform (ATR), a non-profit organization which advocates in the interests of taxpayers and consumers throughout the United States, I urge you to reject HB 1085, misguided legislation which seeks to increase the highly regressive excise tax on cigarettes and little cigars by \$1.00. At this time of high inflation, as families across Hawaii struggle to make ends meet, it is crucial that this proposal does not pass.

Evidence clearly demonstrates that if enacted, **this bill would do little to reduce smoking rates but would lead to a drastic decrease in state tax revenue due to an increase in criminal smuggling of tobacco.**

Data from the National Adult Tobacco Surveys has consistently demonstrated that tobacco tax increases have no statistically significant impact on the prevalence of smoking among those with household incomes of less than \$25,000. **72% of those who smoke are from low-income communities, and increasing taxes on people unable to quit, as they struggle with the costs of unprecedented inflation and the aftermath of the Covid-19 pandemic, will put unnecessary hardship on families.**

Cigarette taxes are highly regressive, meaning they impact people with lower socioeconomic status more than they hurt those in higher income brackets. In New York state, where the tax on cigarettes is relatively high, **people in the highest income groups spend only about 2% of their annual income on cigarettes. Poor New Yorkers spend nearly a quarter of their income (23.6%) on cigarettes. Similar statistics can be expected in Hawaii if this proposal is to pass. You cannot ignore the disproportionate impact that cigarette tax hikes have on low-income individuals when considering raising the tax rate on tobacco.**

Further, cigarette tax hikes promote black markets for smuggled tobacco products, and consistently result in revenues coming in far lower than projected. Contrary to popular belief that tobacco smuggling a victimless crime consisting of someone purchasing a few extra cartons across state lines, most tobacco smuggling is run by multi-million-dollar organized crime syndicates.

Paradoxically, this tax may increase youth smoking in the state: By definition, criminals and smugglers are unlikely to obey laws and would not follow rigorous age-verification requirements mandated at tobacco retailers and convenience stores.

Only three out of 32 state tobacco **increases** between 2009 and 2013 met tax revenue estimates and for this reason, economists and tax policy experts view tobacco taxes as unsound policy, and it is highly unlikely that revenue estimates will be met. It has been determined that **recent increases in the cigarette tax rate in the US have not led to anything like the reductions that cigarette tax advocates promised. During years when there is a large increase in taxes, there is not an equivalent drop in cigarette purchases.**

Instead, I urge you, the Hawaii Legislature, to embrace new methods that are proven to help reduce smoking rates and facilitate adult smokers quitting through reduced risk alternatives to tobacco such as e-cigarettes. Please read more about e-cigarettes below and consider how these products will save lives in Hawaii. **Increased access to e-cigarettes is shown to lower smoking rates and improve public**

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www.ATR.org



health. Rather than punishing the most vulnerable populations in your state by voting for HB 1085, I encourage you to consider supporting policies that encourage e-cigarette use among adult smokers. Tens of thousands of lives depend upon it.

About E-Cigarettes and Vapor Products:

- Traditional combustible tobacco remains one of the leading preventable causes of death in **Hawaii**. **The negative health effects of combustible tobacco come from the chemicals produced in the combustion process, not the nicotine.** While highly addictive, nicotine is a relatively benign substance like caffeine and nicotine use “does not result in clinically significant short- or long-term harms”.
- Nicotine replacement therapies such as nicotine patches and gums have helped smokers quit for decades. In recent years, advancements in technology have created a more effective alternative: **vapor products and e-cigarettes. These products deliver nicotine through water vapor, mimicking the habitual nature of smoking while removing the deadly carcinogens that exist in traditional cigarettes.**
- The CDC has found that only 3.1% of youths use e-cigarettes daily and youth vaping rates continue to decline sharply, disproving the myth of an ongoing “youth vaping epidemic.”

Benefits of E-Cigarettes and Vapor Products:

- **Vapor products have been proven to be at least 95% safer than combustible cigarettes and are more than twice as effective at helping smokers quit than traditional nicotine replacement therapies.**
- The Cochrane Review, the gold standard of medical meta-analysis, has identified “high certainty evidence” that e-cigarettes are more **effective** than nicotine replacement therapies at helping those who smoke quit.
- Vaping has been endorsed by over 100 of the world’s leading public health organizations as safer than smoking and an effective way to help smokers quit.
- When e-cigarettes entered the market in 2003, the U.S. adult cigarette smoking rate was 21.6%. **Due to increased access to vaping, the U.S. adult smoking rate has plummeted to 12% as of 2022.**
- A University of Glasgow study showed that e-cigarettes particularly help disadvantaged persons quit smoking. **HB 1085 will have a tremendously negative impact on public health and would fail to decrease socioeconomic disparities by reducing adult access to products shown to improve public health.**
- Large-scale analysis from Georgetown University Medical Center estimates that 6.6 million American lives can be saved if a majority of cigarette smokers switched to vaping. **This could save more than 100,000 lives in Hawaii alone.**

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AMERICANS *for* TAX REFORM

For the reasons outlined above and in the interests of public health, protecting the Hawaii economy at a time of high inflation, and preventing the spread of smuggling cartels, we call upon you to **accept the overwhelming evidence and vote against HB 1085**. This legislation would do more harm than good and economically disadvantage the most vulnerable communities in Hawaii.

Sincerely,

Ben Rajadurai
Director of State Government Affairs
Americans for Tax Reform

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TESTIMONY IN SUPPORT OF HB 1085 HD 1

TO: Chair Garrett, Vice-Chair Amato, and Members

FROM: Michael Paul, Certified Tobacco Treatment Specialist

DATE: February 7, 2025 (2:00pm)

Hawai'i Health & Harm Reduction Center (HHRC) **supports** HB 1085, which would increase the tax on cigarettes and little cigars, raising revenue for the Hawaii cancer research special fund.

With the ongoing support of the Hawai'i Community Foundation, HHRC continues to offer smoking cessation services that are tailored to meet the needs of our state's LGBTQ+ people through its [Hawai'i's Last Drag](#) (HLD) program. I proudly work as one of HLD's certified tobacco treatment specialists (CTTS). We work with individuals in ways that are most appropriate for their current needs, with trainings conducted in person or via phone, text, or videoconferencing. We provide smoking cessation products to assist them with quitting the consumption of smoked tobacco and other nicotine products.

This bill, which would effectively raise the price of a pack of cigarettes by \$1, will not only help fund cancer research in our state, but will contribute to reducing the smoking of cigarettes [by youths](#) and adults alike. Significant cigarette tax increases have consistently [been linked](#) to reduced rates of initiation by prospective smokers, increased tax revenues in state coffers and reducing the health costs, often shouldered by the state, that smoking inevitably causes.

Significantly raising cigarette taxes is so effective at curbing the initiation of new smokers and helping people to quit, that tobacco companies, like Philip Morris, now known as Altria, have complained that it is among their largest concerns, ["Of all the concerns, there is one - taxation - that alarms us the most. While marketing restrictions and public and passive smoking \[restrictions\] do depress volume, in our experience taxation depresses it much more severely..."](#)



HHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawai'i and the Pacific. We work with many individuals impacted by poverty, housing instability, and other social determinants of health. Many have behavioral health problems, including those related to substance use and mental health conditions. Many of our program clients and participants have also been deeply impacted by trauma, including histories of physical, sexual, and psychological abuse.

Thank you for the opportunity to testify on this measure.

LATE

COMMITTEE ON HIGHER EDUCATION

Rep. Andrew Takuya Garrett, Chair

Rep. Terez Amato, Vice Chair

Friday, February 7, 2025

2:00 PM – Board of Regents Conference Room 106

Testimony In Support of House Bill 1085 House Draft 1 Relating to Taxation with Amendments

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 calls on the State Legislature to support House Bill 441 House Draft 1 which will increase the tax rates for cigarettes and little cigars with an amendment increasing the tax to \$1.

Tobacco use is devastating to Hawai'i's communities. We advocate for proven strategies to reduce smoking, especially among youth, and to fund crucial health programs. Increasing tobacco taxes is a demonstrably effective solution [1]. We support a substantial tobacco tax increase because it will:

- Reduce Smoking: Higher prices decrease consumption [2].
- Prevent Youth Initiation: Price sensitivity deters young smokers [3].
- Generate Revenue: Funds should support vital programs like the University of Hawai'i Cancer Center.

We request at least a \$1.00 tax increase. A stronger increase is essential for meaningful impact. Decades of research confirm tobacco tax increases are a top tobacco control measure [4]. The U.S. Surgeon General, NCI, and WHO agree: higher taxes save lives [5, 6]. A \$1.00 per pack increase in Hawai'i is projected to:

- Generate \$10.84 million in new annual revenue.
- Prevent 500 children from becoming smokers.
- Help 2,000 smokers quit.
- Prevent 500 smoking-related deaths.
- Save \$31.8+ million in healthcare costs.

Small tax increases are ineffective. The tobacco industry easily absorbs minor increases through price manipulation [8]. Significant tax hikes are needed to truly impact consumption [9].

The American Lung Association in Hawai'i implores you to prioritize our communities' health. A substantial tax on cigars and little cigars is a powerful tool to reduce tobacco use, protect our *keiki*, and fund tobacco control programs in our fight against cancer and lung disease.

Thank you for your consideration. We urge bold action to protect lung health in Hawai'i.

Pedro Haro
Executive Director
American Lung Association in Hawai'i
pedro.haro@lung.org

Citations:

- [1] U.S. Surgeon General's Report, 2014.
- [2] Chaloupka & Warner, *Handbook of Health Economics*, 2000.
- [3] Tauras et al., *Tobacco Control*, 2001.
- [4] Promoting taxation on tobacco products, World Health Organization.
- [5] National Cancer Institute Monograph 21, 2009.
- [6] U.S. Surgeon General's Report, Youth & Young Adults, 2012.
- [7] Chaloupka et al., *Tobacco Control*, 2002.
- [8] Lewit, *Am J Prev Med*, 1989.

Date: February 4, 2025

To: The Honorable Andrew Takuya Garrett, Chair
The Honorable Terez Amato, Vice Chair
Members of the House Committee on Higher Education

Re: **Support for HB 1085 HD1**, Relating to Taxation

Hrg: Friday February 7, 2025 at 2:00 pm via Videoconference, University of Hawai'i at Mānoa, Bachman Hall, Board of Regents Conference Room 106

Aloha House Committee on Higher Education,

As a parent, community member and healthcare professional I am writing in **strong support of HB 1085 HD1**, which increases the tax rates for cigarettes and little cigars beginning 1/1/2026, amends the disposition of tax revenues to certain non-general funds starting from fiscal year 2026-2027, with the excess carrying over to the general fund, and expands the disposition of tax revenues to the non-general funds to include all tobacco product taxes; and, repeals obsolete historical tax rates.

Raising the tobacco tax by \$1.00 per pack will produce significant public health benefits and cost savings that tobacco companies cannot easily off-set with temporary price cuts, coupons, and other promotional discounting.

HB 1085 HD1 will result in an estimated:

- 2,400 Hawai'i adults quitting tobacco, including 100 young adults aged 18-24
- 7.4% reduction in tobacco use among Hawai'i youth under the age of 18
- 700 fewer premature deaths caused by smoking

Increasing the tobacco tax by \$1.00/pack will raise nearly \$11.5 million dollars in annual revenue.

I **strongly support HB 1085 HD1** and respectfully ask you to pass it out of committee.

Many thanks for your consideration,

Forrest Batz, PharmD
Keaau, HI

HB-1085-HD-1

Submitted on: 2/4/2025 4:58:31 PM

Testimony for HED on 2/7/2025 2:00:00 PM

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

Comments:

:(

HB 1085 HD1 Relating to Cigarette Taxation

To the HED Committee, Chairman Rep. Andrew Takuya Garrett, Vice Chair Rep. Terez Amato

I am submitting this testimony in support of HB 1085 HD1 as a long-time Kauai pediatrician concerned with the health of the Hawaii population, both children and adults. There is ample research concerning the benefit of increasing cigarette taxes. The research supports the fact that the larger the tax increase, the greater the benefit will accrue related to cigarette use, both short and long term improved health, decreased state health costs, and increase in state revenue. An increase of \$1.00 per pack will generate \$11.46 million per annum and a long-term savings in health care expenses of \$611 million. The projected decrease in youth cigarette smoking by increasing cigarette taxes to \$1/ pack is 7.4%.

I am encouraged that the State Legislature is attacking the problem of tobacco use by using this taxation tool. It has proven to be quite successful in the past on Kauai.

Respectfully submitted,
Linda Weiner, MD
Kauai

HB-1085-HD-1

Submitted on: 2/4/2025 6:38:50 PM

Testimony for HED on 2/7/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
April Pacheco	Individual	Oppose	Written Testimony Only

Comments:

Stop the Steal. I work hard for my money!

HB-1085-HD-1

Submitted on: 2/5/2025 8:37:54 AM

Testimony for HED on 2/7/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kealoha Madriaga	Individual	Support	Written Testimony Only

Comments:

Testimony in Support of HB 1085

February 5, 2025

Aloha Honorable Chair, Vice Chair, and Members of the Committee,

My name is Kealoha Madriaga and I am submitting this testimony in strong support of HB1085. While the proposed 40-cent increase in the cigarette tax is a step in the right direction, we urge the committee to consider a \$1 increase per pack to maximize public health benefits and revenue impact. Research consistently shows that higher cigarette taxes are one of the most effective ways to reduce tobacco use, especially among youth and young adults. A \$1 increase per pack would lead to:

- 2,400 adults in Hawai‘i quitting smoking
- 100 young adults (ages 18-24) quitting smoking
- A 7.4% decrease in youth under 18 who smoke

These reductions in tobacco use translate directly to lower healthcare costs, fewer smoking-related illnesses, and a healthier future for our keiki and communities.

Beyond public health benefits, a \$1 tax increase per pack would generate an estimated \$11.46 million annually in additional state revenue. These funds could further support cancer research, tobacco prevention programs, and healthcare initiatives to improve the well-being of Hawai‘i residents.

Increasing cigarette taxes is a well-documented, evidence-based strategy that discourages smoking and reduces tobacco-related illnesses. By adopting a \$1 increase per pack, Hawai‘i can strengthen its commitment to public health and continue to lead in tobacco control efforts.

We respectfully urge the committee to amend this bill to reflect a \$1 increase and pass this measure to protect our communities from the harmful effects of tobacco use.

Mahalo for your time and consideration,

Kealoha Madriaga

HB-1085-HD-1

Submitted on: 2/5/2025 10:54:35 AM

Testimony for HED on 2/7/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Valerie Smalley	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair and House Committee on Higher Education Members,

As a Tobacco Treatment Specialist here in the state, I am in strong support of HB1055 HD1. We have seen how the increase of the cigarette tax in the past has had a direct correlation with the decline of smokers in the State. When asked directly , many individuals that I have supported in the past reason responded that the increased cost was their reason for quitting.

Additionally the annual revenue from this increase would be \$11.46 million.

Mahalo Valerie Smalley

HB-1085-HD-1

Submitted on: 2/5/2025 11:27:00 AM

Testimony for HED on 2/7/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Katie Folio	Individual	Support	Written Testimony Only

Comments:

Aloha,

I'm writing this in support of HB 441 but asking for an increase in the tax amount please. We have not raised the cigarette tax in Hawai'i for a very long time, so please consider raising it by \$1.00 per pack to benefit the health of our people. A tax increase will help offset any revenue lost from the sale of all flavored tobacco products, which should be banned this session as well. And both of these measures would save our state in medical care costs in the long run.

Mahalo nui loa,

Katie Folio

HB-1085-HD-1

Submitted on: 2/5/2025 4:59:42 PM

Testimony for HED on 2/7/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jake J. Watkins	Individual	Oppose	Written Testimony Only

Comments:

The overtaxing is already destroying that tax base. What happens when the money runs out?

HB-1085-HD-1

Submitted on: 2/5/2025 10:00:31 PM

Testimony for HED on 2/7/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Josh Fowler	Individual	Support	Written Testimony Only

Comments:

SUPPORT

Strong Support of HB1085 – RELATING TO TAXATION

Written Testimony

My name is Joshua Fowler, and I am a volunteer and advocate with the **American Cancer Society - Cancer Action Network**. I strongly support **HB1085**, which increases the cigarette tax, expands taxation to cover all tobacco products, and ensures tax revenue supports critical healthcare services in Hawaii.

Why This Matters:

- **Reducing Tobacco Use** – According to the **U.S. Surgeon General**, increasing the price of tobacco products is **the most effective way to reduce consumption**. A **10% price increase** can lead to a **5% decrease in smoking rates**.
- **Funding Essential Health Programs** – Revenue from cigarette taxes has historically funded **cancer research, community health centers, emergency medical services, and Hawaii’s Trauma System**, but these funds have been declining. This bill ensures continued **funding stability** by including **all tobacco products** in the tax structure.
- **Addressing the Rise of E-Cigarettes** – While traditional cigarette sales have declined, **e-cigarette and vape product sales have surged**, especially among **Hawaii’s youth**. Expanding the tax ensures **all tobacco products contribute** to public health initiatives.
- **Aligning with Other States** – States like **California and Massachusetts** have successfully taxed **all forms of tobacco**, including **vapes and e-liquids**, leading to **lower youth smoking rates** and more **sustainable funding** for health services.

Looking at Other States:

- **California** – Increased tobacco taxes across **all products** and used the revenue to fund **healthcare, research, and smoking cessation programs**.
- **New York** – Higher taxes on cigarettes and vape products have **led to one of the lowest smoking rates in the country**.

- **Hawaii's Opportunity** – HB1085 ensures **long-term funding for essential health services** while deterring tobacco use across **all age groups**.

Thank you for the opportunity to testify. I urge the committee to **support HB1085** and protect Hawaii's public health through smart taxation policies.

Mahalo,
Joshua Fowler
Honolulu, Hawaii

HB-1085-HD-1

Submitted on: 2/6/2025 8:09:20 AM

Testimony for HED on 2/7/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Bryan Mih	Individual	Support	Written Testimony Only

Comments:

Aloha,

My name is Bryan Mih and I am a parent, pediatrician, and the medical director of the Kapi’olani Smokefree Families Program. For the health of our keiki and their families, it is vitally important to support HB1085.

The American Academy of Pediatrics strongly supports regulation and taxation of tobacco products to prevent initiation of use, especially by young people.

Nicotine is a highly addictive drug that impacts the adolescent brain, reducing impulse control and affecting mood. Once young people are addicted to nicotine, it is extremely difficult to quit. Many studies have shown that increased cigarette prices lead to fewer youth smokers and decreased health costs overall.

Please support this important measure. Mahalo for your consideration.

Sincerely,

Bryan Mih, MD MPH FAAP

Pediatrician

Medical Director, Kapi’olani Smokefree Families

February 7, 2025

Aloha Chair Garrett, Vice Chair Amato and members of the House Committee on Higher Education. Mahalo for this opportunity to submit testimony in support of HB 1085, HD1 Relating to Taxation.

Tobacco taxes have long been proven as an effective way to reduce tobacco consumption, especially among price sensitive young people and people from lower income populations.

Because smoking levels are highest among people with low incomes, the cigarette companies have tried to argue against tobacco taxes as regressive and fall disproportionately hard on lower-income families and communities. But this argument turns reality upside down. The fact that smoking rates are highest among lower-income groups means that lower-income families and communities currently suffer the most from tobacco use and will, consequently, benefit the most from any effective new measures to reduce tobacco consumption, including increased state tobacco taxes.

While tobacco tax increases that raise cigarette prices prevent and reduce smoking among all income groups, they work most powerfully to prompt lower-income smokers to quit or cutback and to stop lower-income kids from every starting. As a result, low-income families and communities will not be the victims of any cigarette tax increase but its biggest beneficiaries.

The cigarette companies' regressivity argument fails to account for each of the following facts.

- Increases to state tobacco tax rates will not place any new financial burdens of any kind on the 90 percent of Hawaii adults who neither smoke cigarettes nor buy them.
- While new cigarette tax increases will raise cigarette prices, many current smokers will avoid the higher prices by quitting or cutting back on consumption and lower-income smokers are much more likely than higher-income smokers to quit or cut back in response to price increases. In fact, all of the smokers who quit and many of those who cut back because of cigarette tax increases would actually save money by spending less on cigarettes and to instead invest their dollars on products that potentially can benefit them and their families' health and welfare.
- Those who stop smoking in response to cigarette tax increases would greatly improve their own health, which could also significantly reduce their healthcare costs. Because of their higher rate of illness and disability, smokers have substantially higher annual and lifetime healthcare costs than nonsmokers or former smokers (despite living shorter lives). According to the Hawaii Department of Health, smoking-related health care expenditures total more than \$209,957 per Hawaii smoker. Smoking rate declines caused by a state cigarette tax increase would directly reduce these tobacco-caused tax burdens.
- Any significant state cigarette tax increase also would bring in millions of dollars per year in new government revenues, thereby reducing pressures for other, broader-based tax increases and possibly even making broad-based tax cuts more likely. Cigarette tax increases are also often used as an alternative to cuts to the funding of state government programs that serve low-income communities.
- The smoking declines produced by cigarette tax increases save lives, reduce human suffering, promote the public health, and prevent more kids from becoming addicted to smoking or ultimately dying from it – and these results are disproportionately experienced among low-income persons, families, and communities.

- Low-income smokers and their communities would also disproportionately benefit if any of the new revenues from cigarette tax increases were directed to new programs to help people quit smoking and prevent kids from starting – both because smoking is more prevalent among low-income persons and because lower-income persons currently have much less access or exposure to any such programs than people with higher incomes.

Cigarette companies say that they oppose higher cigarette taxes because they care about low-income families and the poor. But these are the same companies that have been preying on low-income and poor communities for decades. The companies' efforts to “protect” low-income smokers from higher cigarette taxes is not only patronizing but a self-serving smokescreen designed to protect cigarette company profits and continue smoking-caused costs and harms.

Finally, the last state increase in cigarette taxes was passed over 20 years ago. Since that time, inflation has significantly reduced the health impact of that increase. It's time to boost cigarette taxes by a minimum of \$1.00 per pack (the lowest amount determined to have a meaningful health impact by making it difficult for tobacco companies to dull that health impact through the short-term use of discount offers) to again benefit from the consumption reduction and health benefits for which the tax is intended.

I urge you to support HB 1085, HD 1.

Respectfully submitted,

Don Weisman
Kailua, HI

LATE

HB-1085-HD-1

Submitted on: 2/6/2025 9:04:03 PM

Testimony for HED on 2/7/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Support	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry SUPPORT 1085 HB RELATING TO TAXATION.

LATE

HB-1085-HD-1

Submitted on: 2/7/2025 11:18:08 AM

Testimony for HED on 2/7/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Colleen Fox	Individual	Support	Written Testimony Only

Comments:

I am testifying in strong support of HB1085 HD1 Relating to Taxation.

Taxes are a proven method to prevent and reduce smoking.

Research indicates an increase of \$1 per pack of cigarettes would result in more than 2000 adults quitting, reducing the number of young adults who smoke, and preventing teens from smoking.

Additionally, the projected revenue of \$10.84 million could support more public health initiatives.

Please support the health of our community and pass HB1085 HD1 Relating to Taxation.

Dr. Colleen Fox

Makiki, Oahu