

EXECUTIVE CHAMBERS

HONOLULU

June 10, 1999

COPY

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 788

Honorable Members
Twentieth Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 788, entitled "A Bill for an Act Relating to Taxation."

The purpose of Senate Bill No. 788 is to establish a mandatory cigarette tax stamp system as a means to assess, collect, and enforce the cigarette tax. The bill is intended to reduce the loss of cigarette tax revenue to the State from the illegal sale of untaxed cigarettes.

The Department of Health's discussions with the United States Customs Service, the Bureau of Alcohol, Tobacco and Firearms, and representatives of military exchanges indicated that there is no evidence of large-scale black market cigarette sales. The Department of Taxation also has repeatedly requested actual proof of cigarette smuggling, but no such information has been provided.

Even if such a problem exists, this bill will not solve the problem without appropriate monitoring and enforcement. Since this bill requires enforcement by county liquor commissions, which do not have the requisite expertise to enforce cigarette tax violations, it is doubtful that this bill could accomplish its objective of preventing the sale of black market cigarettes.

Furthermore, this bill will be costly to implement and will require additional administrative rules. Given the lack of concrete evidence that large-scale smuggling of cigarettes exists, it is uncertain whether the State will be able to recoup


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these costs. Moreover, this bill requires the use of tax stamps beginning December 1, 1999, which is too short a period for adopting the rules necessary to implement such an ambitious tax collection system. Before implementing this collection system, stamps and tax forms would have to be designed and printed and a system for distribution, collection, reporting, and enforcement would have to be created.

Finally, the conference committee report on this bill is misleading, because it states that a cigarette tax stamp system is necessary to share in the proceeds from recent tobacco litigation. In actuality, a cigarette tax stamp system is not required to meet the terms of the tobacco litigation and to share in the proceeds.

For the foregoing reasons, I am returning Senate Bill No. 788 without my approval.

Respectfully,


BENJAMIN J. CAYETANO
Governor of Hawaii

P R O C L A M A T I O N

WHEREAS, under Section 16 of Article III of the Constitution of the State of Hawaii, the Governor is required to give notice, by a proclamation, of his plan to return with his objections any bill presented to him less than ten days before adjournment sine die or presented to him after adjournment sine die of the Legislature; and

WHEREAS, Senate Bill No. 788, entitled "A Bill for an Act Relating to Taxation," passed by the Legislature, was presented to the Governor within the aforementioned period; and

WHEREAS, Senate Bill No. 788 is unacceptable to the Governor of the State of Hawaii;

NOW, THEREFORE, I, BENJAMIN J. CAYETANO, Governor of the State of Hawaii, do hereby issue this proclamation, pursuant to the provisions of Section 16 of Article III of the Constitution of the State of Hawaii, giving notice of my plan to return Senate Bill No. 788 with my objections thereon to the Legislature as provided by said Section 16 of Article III of the Constitution.

DONE at the State Capitol, Honolulu,
State of Hawaii, this 10th
day of June, 1999.



BENJAMIN J. CAYETANO
Governor of Hawaii