

Honolulu, Hawaii

FEB 12 2015

RE: S.B. No. 1032  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1032 entitled:

"A BILL FOR AN ACT RELATING TO CHAPTER 245, HAWAII REVISED STATUTES,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Expand the definition of "tobacco products" to include any product containing nicotine, but not containing tobacco;
- (2) Increase the license fee for persons engaged as a wholesaler or dealer of cigarettes or tobacco products;
- (3) Increase the retail tobacco permit fee for retailers engaged in the retail sale of cigarettes and tobacco products; and
- (4) Specify that revenue from the license and permit fees shall be used to support smoking cessation programs in the State.

Your Committee received testimony in support of this measure from the Department of Health, University of Hawai'i Cancer Center, Coalition for a Tobacco-Free Hawai'i, Hawaii COPD Coalition, American Cancer Society Cancer Action Network, and one individual. Your Committee received testimony in opposition to this measure



from the Department of Budget and Finance, Hawaii Food Industry Association, Hawaii Smokers Alliance, VOLCANO Fine Electronic Cigarettes, Island Vaporz, and nine individuals. Your Committee received comments on this measure from the Department of Taxation.

Your Committee finds that, when compared to other states that charge a wholesale and dealer license fee, Hawaii's license fee is the lowest in the nation. This fee has also remained unchanged since 1995, despite high tobacco taxes and ever-increasing tobacco industry expenditures in marketing and advertising. Hawaii's retail tobacco permit fee is also one of the lowest in the nation among those states that charge a retail tobacco permit fee.

Your Committee further finds that tobacco licensing is an effective tool for limiting the negative public health consequences of tobacco use by ensuring that wholesalers, dealers, and retailers comply with responsible sales practices. Wholesaler, dealer, and retail licenses with adequate annual fees provide the necessary resources for administrative costs and enforcement of tax laws.

Your Committee has heard the concerns raised by the Department of Budget and Finance regarding the dedication of general fund revenues for a specific purpose and understands that this may impede the State's ability to fund other programs included in the Executive Budget.

Accordingly, your Committee has amended this measure by:

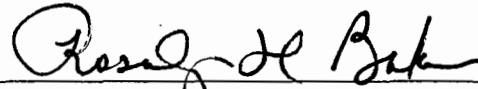
- (1) Deleting the requirement that revenue from the license and permit fees shall be used to support smoking cessation programs in the State;
- (2) Inserting an effective date of January 1, 2016, to allow the Department of Taxation sufficient time to amend its forms and instructions; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1032, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B.



No. 1032, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,

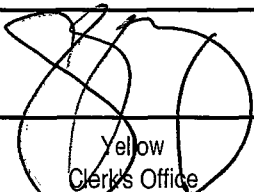


ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Eighth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB1032	CPN, WAM	2/5/15		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)				✓
KAHELE, Gilbert	✓			
KIDANI, Michelle N.	✓			
NISHIHARA, Clarence K.	✓			
WAKAI, Glenn	✓			
SLOM, Sam			✓	
<b>TOTAL</b>	5	<del>0</del>	1	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes