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Honolulu, Hawaii

FEB 12 2015

RE: S.B. No. 1220

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. 1220 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) Impose an excise tax equal to eighty per cent of the wholesale price of any tobacco product, other than large cigars, sold by a wholesaler or dealer on and after January 1, 2016, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;
- (3) Require any subsequent increase in the excise tax rate imposed on cigarettes or little cigars on or after January 1, 2016, to trigger an automatic excise tax increase on other tobacco products, other than large cigars, on or after January 1, 2016; and
- (4) Require the additional monies collected under the excise tax to be deposited to the credit of the Hawaii cancer research special fund.



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Your Committee received testimony in support of this measure from the Department of Health, Coalition for a Tobacco-Free Hawai'i, American Cancer Society Cancer Action Network, American Lung Association of the Mountain Pacific, Hawaii COPD Coalition, Hawai'i Public Health Association, and thirty-eight individuals. Your Committee received testimony in opposition to this measure from the Hawaii Smokers Alliance, VOLCANO Fine Electronic Cigarettes, PC Gamerz, and thirty individuals. Your Committee received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, Vape Hawaii, and one individual.

Your Committee finds that under existing law, the tax on other tobacco products is lower than the tax on cigarettes, despite these products being similarly addictive and dangerous. Other tobacco products present significant health risks, which can lead to cancer, heart disease, respiratory illness, and other serious diseases.

Your Committee further finds that according to the federal Centers for Disease Control and Prevention, increasing the price of tobacco products is the most effective way to prevent initiation among nonsmokers and reduce consumption. Furthermore, consumers may be more likely to purchase other tobacco products as the price of cigarettes increases, if there is not a comparable increase in the price of other tobacco products. Accordingly, this measure increases the excise tax equal to eighty percent of the wholesale price of any tobacco product, other than large cigars. This increased amount in the excise tax will provide parity with the current tax on cigarettes.

Your Committee has amended this measure by:

- (1) Clarifying that the amended definition of "tobacco product" does not include any product specifically approved by the United States Food and Drug Administration for legal sale as a tobacco cessation product that is being marketed and sold solely for that approved purpose; and
- (2) 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. 1220, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1220, 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,

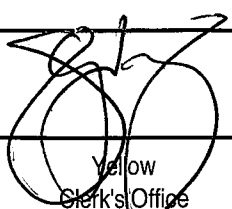


ROSALYN H. BAKER, Chair



The Senate
Twenty-Eighth Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* <div style="font-size: 1.2em; font-family: cursive;">SB 1220</div>	Committee Referral: <div style="font-size: 1.2em; font-family: cursive;">CPN, WAM</div>	Date: <div style="font-size: 1.2em; font-family: cursive;">2/5/15</div>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Pass, unamended 2312 </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Pass, with amendments 2311 </div> <div style="text-align: center;"> <input type="checkbox"/> Hold 2310 </div> <div style="text-align: center;"> <input type="checkbox"/> Recommit 2313 </div> </div>				
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			✓	
TOTAL	5	0	1	1
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted </div>				
Chair's or Designee's Signature: <div style="font-size: 1.5em; font-family: cursive; margin-left: 50px;">  </div>				
Distribution: <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="text-align: center;">Original File with Committee Report</div> <div style="text-align: center;">Yellow Clerk's Office</div> <div style="text-align: center;">Pink Drafting Agency</div> <div style="text-align: center;">Goldenrod Committee File Copy</div> </div>				

***Only one measure per Record of Votes**