STAND. COM. REP. NO. 1221

Honolulu, Hawaii March 27, 2015

RE: S.B. No. 401 S.D. 1 H.D. 1

Honorable Joseph M. Souki Speaker, House of Representatives Twenty-Eighth State Legislature Regular Session of 2015 State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 401, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to amend the excise tax rate on sales of large cigars that occur on or after December 31, 2015, to the lesser of:

- (1) Fifty cents for each large cigar; or
- (2) Fifty percent of the wholesale price of each large cigar.

The International Premium Cigar & Pipe Retailers Association; Cigar Association of America, Inc.; Cigar Rights of America; Hawaii Food Industry Association; Hawaii Cigar Association; Kauai Cigar Company; ABC Stores; and numerous individuals testified in support of this measure. The Department of Health; American Cancer Society Cancer Action Network; American Heart Association; Coalition for a Tobacco-Free Hawaii; and numerous individuals testified in opposition to this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments on this measure.



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Your Committee has amended this measure by deleting its contents and replacing it with the provisions of H.B. 145 H.D. 1, which was previously heard by this Committee. As amended, this measure:

- (1) Establishes a refundable income tax credit for taxpayers who produce, in the State, cigars for sale; and
- (2) Stipulates that the tax credit is applicable to taxable years beginning after December 31, 2112, to facilitate further discussion.

Your Committee respectfully notes that the tax credit applies to a taxpayer who has filed income tax returns in Hawaii for a period of not less than five consecutive years immediately prior to claiming the credit. Therefore, the measure subjects both residents and non-residents to the same five-year income tax filing requirement.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 401, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 401, S.D. 1, H.D. 1, and be referred to the Committee on Finance.

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

L.K. McKELVEY, Chair



State of Hawaii House of Representatives The Twenty-eighth Legislature



Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.:	Committee Referral:		Date:	
SB 401 SD1	CPC, FIN		03.18.15	
The committee is reconsidering its previous decision on the measure.				
The recommendation is to:				
Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)				
2. WOODSON, Justin H. (VC)				
3. BELATTI, Della Au				
4. BROWER, Tom				
5. CREAGAN, Richard P.				
6. HAR, Sharon E.				
7. HASHEM, Mark J.	<u> </u>			
8. KAWAKAMI, Derek S.K.				
9. LEE, Chris				
10. NAKASHIMA, Mark M.				
11. OSHIRO, Marcus R.				
12. SAN BUENAVENTURA, Joy A.				
13. TAKAYAMA, Gregg				
14. YAMANE, Ryan I.				
15. FUKUMOTO CHANG, Beth				
16. MCDERMOTT, Bob				
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TOTAL (16)	14			
The recommendation is: 🖸 Adopted 🗖 Not Adopted				
If joint referral, did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				