

STAND. COM. REP. NO. 1377

Honolulu, Hawaii

MAR 15 , 2019

RE: S.B. No. 887
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Health, to which was referred S.B. No. 887,
S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TOBACCO TAXES,"

begs leave to report as follows:

The purpose of this measure is to amend provisions relating
to taxes on tobacco products. Specifically, this measure:

- (1) Increases the cigarette and tobacco tax; and
- (2) Expands the disposition of revenues to include:
 - (A) Repayment for medical school loans for qualified graduates of the John A. Burns School of Medicine; and
 - (B) The Health Systems Special Fund.

The Department of Health, University of Hawai'i Cancer Center, East Hawaii Region of the Hawaii Health Systems Corporation, Hawaii Health Systems Corporation, American Cancer Society Cancer Action Network, American Heart Association, Hawai'i Public Health Institute, and several individuals testified in support of this measure. JT International U.S.A., Inc., Irie Hawaii, Hi Lyfe

SB887 HD1 HSCR HLT HMS 2019-3106



Vaporz, LLC, ABC Stores, Retail Merchants of Hawaii, Hawaii Smokers Alliance, and many individuals testified in opposition to this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments.

Your Committee has amended this measure by:

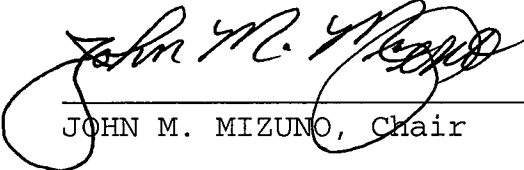
- (1) Changing the proposed tax increases and disposition of revenue amounts to unspecified amounts; and
- (2) Specifying that moneys deposited into the Cancer Research Special Fund from cigarette and tobacco taxes are to be used for research of liver and bile duct cancer.

Your Committee notes that a strong foundation of education, prevention, and intervention is essential for the success of any program aimed at reducing the number of cigarette smokers in Hawaii. Your Committee further notes a concern that increasing the tax on cigarettes and tobacco products will create a robust black market of cigarettes procured online from states with lower cigarette taxes. Finally, your Committee notes that the proposed increase of five cents per cigarette would be the greatest tax increase since the tax was first introduced. However, your Committee notes the testimony of the American Cancer Society Cancer Action Network that significant increases in the retail price of cigarettes directly correlate to a reduction in overall cigarette consumption and a reduction in youth tobacco consumption, while small tax increases do not produce significant public health benefits or cost savings as tobacco companies are able to offset these increases with temporary price cuts, coupons, or other promotional discounts.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 887, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 887, S.D. 2, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.



Respectfully submitted on
behalf of the members of the
Committee on Health,



JOHN M. MIZUNO, Chair



State of Hawaii
House of Representatives
The THIRTIETH Legislature

HSCR 1377

Record of Votes of the Committee on Health

| Bill/Resolution No.: SB887, SD2 | Committee Referral: HLT, EPC, FIN | Date: 3-14-19 | | |
|---|---|-------------------------|------|---------|
| <input type="checkbox"/> The committee is reconsidering its previous decision on the measure. | | | | |
| The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input checked="" type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit) | | | | |
| HLT Members | Ayes | Ayes (WR) | Nays | Excused |
| 1. MIZUNO, John M. (C) | ✓ | | | |
| 2. KOBAYASHI, Bertrand (VC) | ✓ | | | |
| 3. BELATTI, Della Au | ✓ | | | |
| 4. NAKAMURA, Nadine K. | ✓ | | | |
| 5. SAN BUENAVENTURA, Joy A. | ✓ | | | |
| 6. SAY, Calvin K.Y. | | / | | |
| 7. TOKIOKA, James Kunane | | | | / |
| 8. WARD, Gene | | / | | |
| TOTAL (8) | 5 | 2 | | 1 |
| The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted | | | | |
| If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small> | | | | |
| Vice Chair's or designee's signature: <u>B. Kapanui</u> | | | | |
| Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO | | | | |