JOSH GREEN M.D. LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA DIRECTOR DAMIEN A. ELEFANTE DEPUTY DIRECTOR

STATE OF HAWAII DEPARTMENT OF TAXATION 830 PUNCHBOWL STREET, ROOM 221 HONOLULU, HAWAII 96813

http://tax.hawaii.gov/ Phone: (808) 587-1540 / Fax: (808) 587-1560 Email: Tax.Directors.Office@hawaii.gov

To:	The Honorable Donovan M. Dela Cruz, Chair
	and Members of the Senate Committee on Ways and Means

Date:Thursday, February 21, 2019Time:10:00 A.M.Place:Conference Room 211, State Capitol

From: Linda Chu Takayama, Director Department of Taxation

Re: S.B. 887, S.D. 1, Relating to Tobacco Taxes

The Department of Taxation (Department) provides the following comments regarding S.B. 887, S.D. 1, for your consideration.

S.B. 887, S.D. 1, raises the tax on cigarettes and little cigars from 16 cents per cigarette or little cigar to 21 cents per cigarette or little cigar, effective for cigarettes and little cigars sold on or after July 1, 2020. This measure also amends the allocation of cigarette stamp tax revenue.

The Department notes that the Committee on Commerce, Consumer Protection, and Health amended the effective date of the tax increase at the Department's request. The Department appreciates the consideration of its testimony and notes that it can administer this measure as currently drafted.

Thank you for the opportunity to provide comments.

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 11:44:42 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TOBACCO, Increase Tobacco Tax Rate on Cigarettes and Little Cigars

BILL NUMBER: SB 887, SD-1

INTRODUCED BY: Senate Committee on Commerce, Consumer Protection, and Health

EXECUTIVE SUMMARY: This is a 30%+ tax increase beginning on 7/1/19 on cigarettes and little cigars. The increased taxes are having an effect on consumption, which means the tax cannot be expected to produce stable funding. Lawmakers may want to consider direct appropriations to programs now being supported by earmarks from this tax.

SYNOPSIS: Amends HRS 245-3 to increase the tax on cigarettes and little cigars to 20 cents per unit sold, used, or possessed by the wholesaler or dealer on and after 7/1/16.

Amends HRS section 245-15 to provide that the revenue generated under the rate increase shall be distributed as follows:

- 3.0 cents per unit to the Hawaii cancer research special fund (up from 2.0 cents);
- 1.125 cents per unit, but not more than \$7,400,000 in a fiscal year, to the trauma system special fund (same as current law);
- 2.92 cents per unit, but not more than \$8,800,000 in a fiscal year, to the community health centers special fund (up from 1.25 cents);
- 1.25 cents per unit, but not more than \$8,800,000 in a fiscal year, to the emergency medical services special fund (same as current law);
- 1.67 cents per unit, with no maximum, to a special account of the state general fund for expenditure to repay medical school loans of graduates of the John A. Burns school of medicine, who practice in primary care in the medically underserved population areas of this State, as determined by the John A. Burns school of medicine (new); and
- 1.66 cents per unit to the health systems special fund (new); and
- Any excess goes to the general fund.

Makes conforming amendments to section 232F-21, HRS.

EFFECTIVE DATE: July 1, 2020.

STAFF COMMENTS: This measure is clearly a tax hike. Previous increases have begun to have an effect on collections not only locally but also nationally. Collections have fallen below their previous levels, and the increase in the legal smoking age from 18 to 21 also is anticipated to have a negative effect on consumption.



Source: Department of Taxation Annual Report (2018)

For whatever reason, the rise in rate has jeopardized this source of revenue. If nothing else, lawmakers need to make up their minds whether or not they see this tax as a source of revenue or a means by which to deter consumption.

As predicted, programs that have been fed by earmarks from the tobacco tax, like the Cancer Research Center, have become a victim of the success of tobacco cessation programs and publicity. Revenues produced by the tobacco tax have been in steady decline over the past few years despite tax rate increases, and hoisting the smoking age to 21 in the 2015 session certainly didn't reverse the trend.

Do we really need an elaborate study to tell ourselves that fiscal reliance on funds from a sin tax is inadvisable or outright dangerous? If the goal is to affect social behavior, use of the tax law is not the most effective way to do so.

Digested 2/19/2019

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 10:20:49 AM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Elena Cabatu	Testifying for East Hawaii Region of Hawaii Health Systems Corporation	Support	No

Comments:

On behalf of the East Hawaii Region of Hawaii Health Systems Corporation, consisting of Hilo Medical Center, Hale Ho`ola Hamakua in Honoka`a, Ka`u Hospital, and our 13 specialty clinics, please accept our support for SB887 SD1.

SB-887-SD-1

Submitted on: 2/19/2019 2:25:18 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
VALENTINO MIRANDA-KEPA	Testifying for Irie Hawaii	Oppose	No

Comments:

Our retail store is located in your legislative district. I am writing because of our serious concerns with Senate Bill 887 which would increase the state cigarette tax by \$1.00 per pack.

As a retailer, a tax increase will result in another decrease in sales of cigarettes and tobacco products. The over 21 year old adults who patronize our store will look for alternative sources for their tobacco products, whether that is buying their preferred products in a neighboring state with lower tax rates or over the Internet to avoid state excise taxes and sales tax altogether. When our customers look for less expensive sources for their cigarettes and tobacco products, we also lose sales of other products that they would otherwise buy in the store.

Our business model includes cigarettes and tobacco products as a significant part of total in-store sales. This is why a tax increase can be so detrimental because we are unable to replace the lost sales of cigarettes and tobacco with other products. We provide good jobs at competitive wages and a tax increase will only result in reducing our profitability and consequently the wages we can pay and the jobs we offer.

Finally, excise taxes are some of the most regressive forms of taxation that fall most heavily on individuals with lower incomes. This higher tax burden is unfair to our customers who have limited incomes.

As a lawmaker, I urge you to consider the concerns of all retailers and oppose Senate Bill 887.

Aloha and Mahalo.

Valentino Miranda-Kepa

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 2:47:07 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mariner Revell	Testifying for Irie Hawaii Stores	Oppose	No

Comments:

I oppose bill SB887. We are taxed to death in Hawaii where will these funds go to? As with any tax citizens should have a report on esactly where funds from taxes go to. We pay the highest tobacco taxes in the nation already please stop the over taxing of our people!

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 2:54:07 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
dillon rellez	Testifying for Irie Hawaii	Oppose	No

Comments:

To whom it may concern, I oppose of these laws, it would only make people have a harder time because they would still buy it anyway. There are other things that are needed to be tended to besides smoking. Please try and take my voice into consideration. For that I thank you.



85-993 Farrington Hwy Suite 206 Waianae, Hi 96792 808-200-4798 info@hilyfevaporz.com

2/19/2019

Dear Chair and Members,

Aloha,

My name is Jostin and I Strongly oppose the Senate Bill 887 (SB 887). As a small business owner and active member in the Vape community, I have no doubt that a bill of this magnitude will affect thousands of people in the state of Hawaii that have nothing short of a positive impact in their lives, health, and especially, the purpose of quitting combustible cigarettes. We DO NOT support teenage vaping; WE DO NOT SELL OR MARKET TO ANYONE UNDER THE LEGAL AGE OF AN ADULT PRODUCT; WE COMPLY WITH ALL THE CURRENT STATE AND U.S. FOOD AND DRUG ADMINISTRATION'S (FDA) LAWS AND REGULATIONS. Being a small business owner in Hawaii, my business Hi Lyfe Vaporz, LLC has acquired over 10 active employees. A bill like this will impact our business, as well as, many across the state in a negative manner such as: causing people to lose their jobs and homes, they would be unable to provide for their families, and many may end up going back to combustible cigarettes, which has been proven to be a known negative health factor throughout the world. The FDA has implemented many stringent rules and regulations which makes it very difficult for all the Vape industry's manufactures, and retailers to comply with, as well as stay up to date One of the problems with the youth vaping epidemic isn't Flavors or taxes, the issue is with enforcement to retailers of age restriction. By completely banning anything in this industry that has helped many adults, it will have a negative impact. Taxes alone from the industry generates a good amount of funding to our state. It's important to understand taking away vaping may greatly impact revenue to the state for health and research, ect.

Bill's like this simply goes against the positive impact vaping has made for all legal adults, who transitioned to a better alternative than combustible cigarettes. I humbly ask to think about this impact before passing such a bill. Myself, my family, as well as our employees, and customers will be areatly affected in a negative way. I am a former smoker of 20 years and I oppose SB 887 for the simple fact that this bill is unfair as the being the root cause of the teenage vaping epidemic. That is false. As a former smoker of traditional combustible cigarettes, vaping and its Flavors has helped myself, family members, and friends of legal smoking and vaping age, (whether it be state age laws or federal) to stay away from and stop smoking cigarettes. Since I've quit smoking and started vaping, having flavors to enjoy while vaping should be a right, as a law-abiding citizen that shouldn't be taken away from legal adults. As an adult we should have a choice to vape our preference of flavor!! The vaping epidemic in Hawaii and the USA of teenagers are because of certain devices like "Juul" and similar ones like it being easily accessible through gas stations, convenience stores, etc. At least 90% of actual vape shops have taken part in sales to minors prior to laws being in place it started from 18 years of age now in some states like here in Hawaii its 21. The vape shops, manufactures, and companies that have followed the rules will be getting punished for the fact that the reasons behind the epidemic isn't being directed toward the real issue, which is age enforcement.

The product that most of the vaping community disagrees with due to the accessibility in gas stations & convenience stores is what most teens are using because places other than vape shops do not take it seriously when asking for ID. There should be more stings to help aid the root cause & not punishing responsible Vape shops and adults, by charging our industry unfair taxes and high percentages, this will not help the teenage vape epidemic, it will hurt businesses and adults who found a better alternative from combustible cigarettes. Also vaping has made a huge impact by lessening the amount of Traditional tobacco cigarette use state and nationwide. If we are to be taxed please have reasonable rates, percentages and tax products that actually have "TOBACCO DERIVED NICOTINE". If not this bill will greatly urge citizens to go back to combustible cigarettes which is definitely more toxic due to the fact that my own Doctor has told me since I quit smoking cigarettes my health is much better in comparison.

Attachment "A1" is a letter from The FDA Commissioner, Scott Gottlieb. It states that the use of electronic nicotine delivery systems (ENDS) has contributed to a decline of combustible tobacco, which is known to cause cancer. It also clearly states that it intends on limiting flavored cigarettes to age restricted stores, or areas. Also please take a look at Senator Richard Burr in his explanation of what his thought are on this matter here is the link.

https://www.c-span.org/video/?c4777366/senator-burr-floor-speech-fda-ban-mentholcigarettes&fbclid=lwAR2tx2xiS590W_qe6WHKH6gqzoelg8tkh57g3f9V61aOjxwX3HfPRq68yM

Here is a statement by Senator Burr

https://www.c-span.org/video/?c4777366/senator-burr-floor-speech-fda-banmenthol-cigarettes&fbclid=IwAR2z1rLX_JvapjK2KmZUNLe0eW_D_G1AbPiLxgldNRnA--RQOfRFg61DLu8

Mahalo for your time and consideration Jostin Iriarte jostin@hilyfevaporz.com



85-993 Farrington Hwy Suite 206 Waianae, Hi 96792 808-200-4798 iwholesale@hilyfevaporz.com

2/19/2019

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Mahalo for your time and consideration Jostin Iriarte jostin@hilyfevaporz.com

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 11:11:32 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Robin Iriarte	Testifying for Hi Lyfe Vaporz,LLC	Oppose	No

Comments:

1. Chair and members my Name is Robin Iriarte, on behalf of Hi Lyfe Vaporz; I would like to oppose SB887. First off taxing Vapor E-liquid, and anything related to vape as a tobacco product is completely unfair. Nicotine is not derived from tobacco. Nicotine comes from some of the vegetables and fruits we eat daily like potatoes, eggplant, tomatoes, etc. This tax being imposed for vape products will negatively impact the vape industry as it will cause many vapors to resort to what's affordable but not healthy for them. With all of the taxes this will make it not affordable for anyone who is trying to guit smoking. The vape industry has taken it upon its self to make sure that we ID every customer and to do a multistep checkout process to verify age when making purchases online. This would also affect people who have changed over from traditional cigarettes to vaping as a way of quitting. Vaping has helped so many individuals including myself as I have bad asthma. My husband was a smoker for 20plus years and just the residual of smoke on his clothing really used to cause my Asthma to flare up. Since he changed over to vaping it's been awhile since I had to use my inhaler.



SENATE COMMITTEE ON WAYS AND MEANS Senator Donovan M. Dela Cruz, Chair Senator Gilbert S.C. Keith-Agaran, Vice Chair

February 21, 2019 Conference Room 211 10:00 a.m. Hawaii State Capitol

Testimony Supporting Senate Bill 887, SD 1 Relating to Tobacco Taxes. Increases the cigarette and tobacco tax on cigarettes and little cigars by five cents beginning July 1, 2020. Allocates excise tax revenue generated at the increased rate to specified health improvement purposes beginning July 1, 2020.

> Linda Rosen, M.D., M.P.H. Chief Executive Officer Hawaii Health Systems Corporation

The Hawaii Health Systems Corporation (HHSC) board of directors is in **support o**f SB 887, SD 1.

HHSC appreciates the Legislature's attention to the needs of our nine hospitals across the state. We support this measure because it would provide additional funding to assist HHSC's efforts to provide quality health services while also reducing the need for general fund appropriations. It has the added benefit to the communities we serve as a public health strategy that can reduce the burden of tobacco related disease.

Our comments are limited to the parts of this measure pertaining to HHSC, as we are unable to fully analyze the impact on other health programs that receive funding.

Thank you for the opportunity to testify.



American Cancer Society Cancer Action Network 2370 Nu`uanu Avenue Honolulu, Hawai`i 96817 808.432.9149 www.acscan.org

Senate Committee on Ways and Means Senator Donovan M. Dela Cruz, Chair Senator Gilbert S.C. Keith-Agaran, Vice Chair

SB 887, SD1 – RELATING TO TOBACCO TAXES

Cory Chun, Government Relations Director – Hawaii Pacific American Cancer Society Cancer Action Network

Thank you for the opportunity to provide written comments in support of SB 887, SD1, which increases the excise tax on cigarettes and little cigars sold on or after July 1, 2019, to twenty-one cents per each cigarette or little cigar sold with proceeds funding public health initiatives. Measure is effective 7/1/2020.

The American Cancer Society Cancer Action Network (ACS CAN) is the nation's leading cancer advocacy organization. ACS CAN works with federal, state, and local government bodies to support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem.

Regular, significant increases in the retail price of cigarettes reduce the number of people who begin smoking and increase the number of smokers who quit.

- Significant increases in the price of cigarettes leads to a reduction in overall cigarette consumption and a reduction in youth consumption.
- Low-income adults, youth, and pregnant women are especially likely to quit or reduce their smoking when the price increases.
- Lower smoking rates translate into fewer smoking-related cancers and premature deaths, reduced spending on smoking-related health problems, and more productive workers.

Small tax increase amounts do not produce significant public health benefits or cost savings because tobacco companies can easily offset the beneficial impact of such small increases with temporary price cuts, coupons, and other promotional discounting. Increasing the tax rate with inflation will also help to ensure that the public health and revenue benefits of the tax increase do not diminish as quickly over time.

Thank you for the opportunity to provide testimony on this measure.





Chairman of the Board Mark Yamakawa

President Kahealani Rivera, MD

Board Members

Rick Bruno, MD, FACEP Brandt Farias Mimi Harris David Honma Glen Kaneshige Brandon Kurisu Howard Lee Michael Lui, MD Kazuma Nakagawa, MD, FAAN, FAHA Barbara Petrus Andrew Rosen Dave Underriner Elisa Yadao

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Mission Statement:

"To be a relentless force for a world of longer, healthier lives."

For more information on the AHA's educational or research programs, visit <u>www.heart.org</u> or contact your nearest AHA office.

Office: (808) 377-6630 Fax: (808) 524-0556

Neighbor Islands: Serviced by the Oahu office

American Heart Association testimony in SUPPORT of SB 887, SB1 Relating to Tobacco Taxes with suggested amendment

The American Heart Association supports SB 887, SB1 which increases the cigarette tax to 21 cents per cigarette or little cigar sold. However, because Hawaii does not invest in tobacco and prevention and control programs at the CDC's recommended levels, the AHA recommends amending the bill to allocate a portion of the tobacco tax revenue to that purpose.

A one-time sizeable cigarette tax increase of at least \$1 per pack (5-cents per stick) would have a greater impact on reducing smoking rates, especially on the lower income and youth markets, which are more price sensitive, and which are the most highly targeted by tobacco industry marketing and advertising.

Because smoking levels are highest among people with low incomes, the cigarette companies will try to argue that cigarette tax increases are regressive taxes that fall disproportionately hard on lower-income families and communities. But this argument turns reality upside down. These are the same companies that have been preying on low-income and poor communities for decades. The cigarette companies have no problem with levying new charges on low-income smokers when it increased their own profits. They only oppose the new charges when someone else (like a state government) gets the new revenues, instead. In fact, when the federal government implemented a new increase on cigarette taxes the cigarette companies wasted no time immediately after the law passed hiking the prices on their products to profiteer on the increase during the interim period between passage of the law and its implementation.

The fact that smoking rates are highest among lower-income groups means that lower-income families and communities currently suffer the most from smoking and will, consequently, benefit the most from any effective new measures to reduce smoking, including increased state cigarette taxes. Their health problems caused by tobacco use also disproportionally affect Medicaid costs to the state.

Smokers who do not reduce their smoking because of a cigarette tax increase will also still benefit economically, along with every other state taxpayer. In Hawaii alone, tobacco use claims 1,400 lives each year and creates \$526 million in annual health care costs directly caused by smoking (\$141.7 million of that is covered by the state Medicaid program). Hawaii residents' state & federal tax burden from smoking-caused government expenditures is \$836 per household. Hawaii's estimated tobacco tax revenue, estimated to be approximately \$110 million per year, does not come close to offsetting the losses to the state caused by tobacco use. Smoking declines caused by state cigarette tax increases directly reduce these smoking-caused economic burdens for all taxpayers, and Hawaii businesses which bear the brunt of employee healthcare costs in our state.

Those who stop smoking in response to cigarette tax increases will greatly improve their own health, which could also significantly reduce their healthcare costs. Because of their higher rate of illness and disability, smokers have substantially higher annual and lifetime healthcare costs than nonsmokers or former smokers (despite living shorter lives).

Those who quit smoking as a result of a tax increase would also then have additional money to spend on taxable products that don't result in over a \$500 million in healthcare costs to the state. The money doesn't go up in smoke; instead it will likely be spent on more productive things that can benefit the smokers' families and our state.

Hawaii has made great strides in reducing tobacco use, but despite these advances, tobacco use remains the leading cause of preventable death in our state and challenges to tobacco control still exist. Hawaii's current adult smoking prevalence (12.8%) remains higher than the national Healthy People 2020 target of 12%. Moreover, our low smoking rates can conceal the fact that smoking continues to disproportionately affect populations and community groups by race and ethnicity, income and education, mental health and substance abuse, and lesbian, gay, bisexual, and transgender (LGBT) orientation. These subpopulations silently bear the brunt of the tobacco use burden in our state. Additionally, the rapid rise in youth fascination with ESDs and other novel products which have proven to be gateway products to traditional tobacco product use and threaten our cumulative efforts to free the next generation from the deadly effects of nicotine addiction.

To insure that this tax increase has the desired health impact, the AHA particularly supports the allocation of additional cigarette tax revenue to prevention and control programs. Low-income smokers and their communities disproportionately benefit when the new revenues from cigarette tax increases are directed to programs to help people quit smoking and prevent kids from starting – both because smoking is more prevalent among low-income persons and because they may have much less access or exposure to any such programs than people with higher incomes.

The tobacco industry spends an estimated \$25.5 million each year marketing its products in Hawaii. Hawaii's \$5.3 million investment in tobacco prevention, control and cessation programs pale in comparison, and falls well short of the Centers for Disease Control's (CDC) best practice recommendation of a \$13.7 million annual investment. The Hawaii legislature last increased Hawaii's cigarette tax in 2006. Since that time, inflation of approximately 18% has decreased the value of the cigarette tax to below 85 cents on the dollar.

More community funding is needed to both address tobacco prevention, control and cessation in Hawaii's disparately-affected populations to reduce their smoking rates to levels comparable to Hawaii's broader adult population, as well as to address skyrocketing youth initiation into tobacco through use of electronic smoking devices. An increase in Hawaii's cigarette tax would help to provide the needed funding to address one of the leading major health risks among Hawaii's most vulnerable populations. Please support HB 887, SB1 with the AHA's recommended amendment to allocate a portion of the tobacco tax revenue to boost the investment in community tobacco prevention, control and cessation programs.

Respectfully submitted, Wersmon

Donald B. Weisman Hawaii Government Relations/Communications Director





HIPHI Board

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Keawe'aimoku Kaholokula, PhD John A. Burns School of Medicine, Department of Native Hawaiian Health

Bryan Mih, MD, MPH John A. Burns School of Medicine, Department of Pediatrics

Rachel Novotny, PhD, RDN, LD University of Hawaii at Manoa, College of Tropical Agriculture and Human Resources

Catherine Taschner, JD McCorriston Miller Mukai MacKinnon LLP

JoAnn Tsark, MPH John A. Burns School of Medicine, Native Hawaiian Research Office

En Young, MBA Sansei, Lanai

Date:	February 20, 2019
To:	Senator Donovan M. Dela Cruz, Chair
	Senator Gilbert S.C. Keith-Agaran, Vice Chair
	Members of the Ways and Means Committee
Re:	Support for SB887 SD1, Relating to Tobacco Taxes
1.1	

Hrg: February 21, 2019 at 10:00am at Conference Room 211

The Coalition for a Tobacco-Free Hawai'i, a program of the Hawai'i Public Health Instituteⁱ is in **Support of SB 887 SD1** which increases the cigarette tax by five cents and specifies revenue increases to be dedicated to specified health improvement purposes.

The Coalition supports an increase in taxes on cigarettes and tobacco products. Raising taxes is a proven strategy to reduce consumption on tobacco products for both adults and youth. The Coalition notes that there has not been an increase in taxes on cigarettes and little cigars in the last eight years and for other tobacco products, other than large cigars, the last tax increase occurred in 2009.

Majority of registered Hawai'i voters support an increase in cigarette taxes (74%) and nine in ten registered voters (94%) feel that it is important for the State to dedicate part of its revenue to tobacco prevention and cessation programsⁱⁱ. Populations at risk that continue to experience higher rates of smoking would be the primary beneficiaries of these education and cessation activities, helping to provide them with the resources needed to quit smoking and to help curb the high costs associated with tobacco use. We humbly ask that a portion of the proposed tobacco tax revenue be dedicated to tobacco prevention and cessation programs.

Tobacco use is still the number one preventable cause of death and costs our State \$526 million annually. Raising tobacco taxes encourages people to quit smoking.

The Coalition supports SB887 SD1 and asks you to pass this measure out of committee.

Mahalo,

Yamauch

Jessica Yamauchi, MA Executive Director

The Hawai'i Public Health Institute is a hub for building healthy communities, providing issue-based advocacy, education, and technical assistance through partnerships with government, academia, foundations, business, and community-based organizations.

ⁱⁱ This study by Ward Research, Inc. summarizes findings from a phone survey among n=804 Hawaii registered voters (maximum sampling error +/-3.3%), conducted between October 8 and November 2, 2018.

ⁱ The Coalition for a Tobacco-Free Hawai'i (Coalition) is a program of the Hawai'i Public Health Institute (HIPHI) that is dedicated to reducing tobacco use through education, policy, and advocacy. With more than two decades of history in Hawai'i, the Coalition has led several campaigns on enacting smoke-free environments, including being the first state in the nation to prohibit the sale of tobacco and electronic smoking devices to purchasers under 21 years of age.

<u>SB-887-SD-1</u>

Submitted on: 2/19/2019 1:50:02 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Johnathon G. Myers	Individual	Oppose	No

Comments:

Dear Chair Dela Cruz and Senate Committee on Ways and Means:

I am writing you in OPPOSITION of this proposed Bill.

I concur with the Department of Taxation comments. This proposed Bill is designed to curb behavior through taxation. It is not logical to increase taxes to curb behavior and simultaneously earmark budget/funds from tobacco tax revenue. The Senate Committee needs to reach a decision point on the way ahead for tobacco taxation: curb behavior or earmark budget/funds-logically you cannot do both.

Thank you for your timea and allowing me thisnopportunity to submit testimony.

Sincerely,

Johnathon Myers

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 3:35:26 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Randi Derego	Individual	Oppose	No

Comments:

excise taxes are some of the most regressive forms of taxation that fall most heavily on individuals with lower incomes. This higher tax burden is unfair to our customers who have limited incomes.

To whom it may concern,

I am opposing the bill presented. As a long time vaper of 7+ years, vaping has been a huge help in my life and my health. I've been cigarette free for the last 4 years due to vaping and my doctor has commended me for the improvement of my overall health condition.

I believe this bill is unfair and unconstitutional to what us Americans believe in, which freedom of choice. It's unfair that something like vaping which is so innovative in helping millions of Americans quit dangerous traditional tobacco cigarette is being ignored and demonized as being far more dangerous, even though there's hundreds of studies saying otherwise or opposite.

This bill will cause thousand of Hawaii residents to go right back to smoking and thousand who work at small mom and pop vape shops to be unemployed, and their shops shut down and go out of business. There are much bigger issues here in Hawaii:

-Homelessness

-Alcohol, Flavored Alcohol, deaths caused by drunk driving which was recently in the news.

-Over budgeted rail funds which is going nowhere, while we're still being Taxed here and there for years now.

-High cost of living and limited homes and apartment rentals for locals born and raised here, causing thousands each year to leave their homes to live in the mainland.

Hawaii is slowly becoming an anti-local and anti-small business State. These bills only cater to the wealthy, deep pocket businesses who can afford high tax and interest rates. With these bills you're only pushing local businesses away to the mainland where they can survive.

I implore you to please look over this bill you're trying to pass and see if it's in the best interest for the people of Hawaii.

I vape and I use flavored e-liquids and it saved my life along with millions around the world. Please don't take that away from us.

Sincerely, Vince Tran of Honolulu, Hawaii

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 4:22:02 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jake J. Watkins	Individual	Oppose	No

Comments:

We are taxes enough already.

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 5:36:24 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jessica Chang	Individual	Oppose	No

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 5:56:20 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Naomi C. Liu	Individual	Oppose	No

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 5:57:42 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Sean Higa	Individual	Oppose	No

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 6:28:04 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Shannon Stevenson	Individual	Oppose	No

Comments:

I strongly OPPOSE a 70% tax increase on eliquids and all vaping products as (ENDS) units also classify under tobacco products in Hawaii. This tax increase will almost if not KILL the vaping community and its users of vape products completely. How is it possible that officials in any regard can take away their people RIGHTS. The right to choose a better way of health and life. The right as an adult to choose what kind of product you wish to use. The 70% tax increase will sky rocket prices to a point where no one will continue to vape or smoke and then turn to other alternatives which more than likely will be drugs. Not just marijuana but others like cocaine, opioid pills etc... The 70% tax tobacco 70% than everything else adults indulge in should be 70% taxed increased as well.

I oppose, I oppose, I oppose

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 7:19:07 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kaenz	Individual	Oppose	No

<u>SB-887-SD-1</u> Submitted on: 2/19/2019 10:04:37 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Sheldon Miyakado	Individual	Oppose	No

Comments:

I oppose SB887 SD1. taxing is not the way to accomplish this goal.

SB-887-SD-1

Submitted on: 2/19/2019 10:28:54 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jostin A Iriarte	Individual	Oppose	No

Comments:

Aloha,

Dear Chair & Members,

My name is Jostin,

I strongly oppose Senate Bill 887 "SB 887",

As a small business owner in the state of Hawaii we own several businesses within the Vape industry, we comply with all rules, laws & regulations set forth by the State of Hawaii, also other states we do business in as well as remain up to date and compliant with The Federal Food & Drug Administration.

Maintaining & keeping up to date with FDA regulations are already costly & time consuming. Most of the public will not understand what it takes to run our small businesses legally. We are a registered as a manufacture and a Retail business.

We understand the teenage vaping epidemic is an issue, but by unreasonably adding and inflating taxes to products that are already costly is unfair. If anything should be taxed fairly I agree to tax "Tobacco Derived Nicotine Products. It isn't the right way to go about resolving this issue with unfair taxes and fees. It is not practical and wrong. Businesses have obligations with leases to landlords and other related business, as well as customers we provide a service to.

I personally support the fact and need for tobacco derived products to be taxed and understand fees to be inflated on a reasonable scale.

In all fairness the issues and the epidemic of teen vaping is caused by certain tobacco products like "Juul" being easily accessible in stores and places who don't follow all the rules and regulations, there should be more stings and a group to follow up on those issues to stop the sale to teens, websites like ours follow all protocol and regulations for example our website has a 2 verification process one is to enter and the much more strict one is to process payment and complete an order the "FDA" has already required us to implement a special age verification software, the process we have implemented is greatly effective we have tested our website many times and often check it.

Please have in place to fine or otherwise Regulate those who aren't complying with all rules and regulations set by the state and FDA. Unfair fees, taxes or percentages will negatively impact small business like ours as well as employees and adults who have transitioned over to an alternative that has impacted Hawaii and the world's health and epidemic on combustible cigarettes. We will support the fact of having taxes and fees that won't negatively impact the public to resort back to combustible cigarettes.

Below is a statement by the "FDA"

Here is a letter from The FDA Commissioner, Scott Gottlieb. It states that the use of electronic nicotine delivery systems (ENDS) has contributed to a decline of combustible tobacco, which is known to cause cancer. It also clearly states that it intends on limiting flavored cigarettes to age restricted stores, or areas.

Also please take a look at Senator Richard Burr in his explanation of what his thought are on this matter here is the link https://www.c-span.org/video/?c4777366/senator-burr-floor-speech-fda-ban-mentholcigarettes&fbclid=IwAR2tx2xiS590W_qe6WHKH6gqzoelg8tkh57g3f9V61aOjxwX3HfPRq68yM Mahalo Nui Loa for your your time & consideration.



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 10:21:39 AM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
puna	Individual	Oppose	No

Comments:

Aloha

my name is Puna and I'm opposing to this tax bill because personally I feel it is unfair to put a tax on something that is actually a healthier alternative then traditional combustible cigarettes. Also I feel like this industry is already brining in a lot of revenue for the state of Hawaii as it is. Putting an additional tax on this industry the revenue will go down and more people will quit vaping and go back to smoking cigarettes. It's unfair to the people who have put so much time and money into business and there own health. Please reconsider

mahalo for your time


<u>SB-887-SD-1</u> Submitted on: 2/20/2019 11:01:47 AM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ned Garcia	Individual	Oppose	No



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 11:26:51 AM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lani Hernandez	Individual	Oppose	No

Comments:

NO! for this unfair tobacco tax bill.



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 11:29:29 AM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dallas Nelson	Individual	Oppose	Yes

<u>SB-887-SD-1</u> Submitted on: 2/20/2019 12:41:40 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Chad Wheeling	Individual	Oppose	No



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 2:43:28 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Devin Wolery	Individual	Oppose	No



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 2:52:46 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Alex Abe	Individual	Oppose	No

Comments:

I'm Alex and I strongly oppose this tax increase bill.

DAVID Y. IGE GOVERNOR OF HAWAII



BRUCE S. ANDERSON, PHD DIRECTOR OF HEALTH

STATE OF HAWAII DEPARTMENT OF HEALTH P. O. Box 3378 Honolulu, HI 96801-3378 doh.testimony@doh.hawaii.gov



Testimony COMMENTING on S.B. 887, SD1 RELATING TO TOBACCO TAXES

SENATOR DONOVAN M. DELA CRUZ, CHAIR SENATE COMMITTEE ON WAYS AND MEANS Hearing Date: February 21, 2019 Room Number: 211

1 Fiscal Implications: The Department of Health (DOH) defers to the Department of Taxation

2 (DOTAX) on fiscal implications.

3 Department Testimony: DOH provides comments in support of the increase in excise tax for
4 cigarettes and little cigars as an effective public health measure to reduce smoking and prevent
5 youth initiation of smoking. The Department is not commenting on the allocation of funds
6 resulting from the increased revenues.

According to the U.S. Surgeon General, increasing the price of tobacco products is the
single most effective way to reduce consumption.ⁱ A ten percent increase in price has been
estimated to reduce overall cigarette consumption by three to five percent.ⁱⁱ Research suggests
that both youth and young adults are two to three times more likely to respond to increases in
price than adults.ⁱⁱⁱ Moreover, studies show that raised cigarette prices have effectively reduced
smoking among some ethnic minorities, lower-income smokers, and pregnant women.^{iv,v}

On both federal and state levels, increases in tobacco taxes have generated more calls to 13 14 quitlines. After the 2009 federal tobacco tax increase passed, calls to the national quitline (1-15 800-QUIT-NOW), increased by 30 percent in the year following as compared to the year prior.^{vi} After Oklahoma passed a \$1.00 increase per cigarette pack tax in July 2018, the state's Tobacco 16 Helpline saw an increase of 85 percent in registrations in the first month compared to the same 17 time the year prior.^{vii} Wisconsin experienced a record-breaking 20,000 calls in the first two 18 19 months after it passed a \$1.00 increase per cigarette pack tax, whereas it typically received 9,000 calls per year.^{viii} 20

Hawaii currently has the sixth highest tax rate in the nation.^{ix} The proposed tax increase would elevate Hawaii's tax rate from \$3.20 per cigarette pack to \$4.20 per pack. The last time there was a tax increase on cigarettes in Hawaii was in 2011 when taxes were raised from 15 cents per stick in 2010 to 16 cents per stick in 2011. The Department supports S.B. 887, SD1 to reduce the public health burden of tobacco use and cigarette consumption which are still the leading causes of preventable chronic disease and early death. The Department defers to the DOTAX regarding allocation of revenues to the designated special funds.

8

Thank you for the opportunity to testify.

ⁱ U.S. Department of Health and Human Services. <u>Preventing Tobacco Use Among Youth and Young Adults: A Report of the</u> <u>Surgeon General</u>. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2012 [accessed 2018 Jan 22]. ⁱⁱ Ibid

ⁱⁱⁱ Ibid

^{iv} See, e.g., CDC, "Responses to Cigarette Prices By Race/Ethnicity, Income, and Age Groups – United States 1976-1993," Morbidity and Mortality Weekly Report 47(29):605-609, July 31, 1998,

http://www.cdc.gov/mmwr/preview/mmwrhtml/00054047.htm. Chaloupka, FJ & Pacula, R, An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies, National Bureau of Economic Research, Working Paper 6541, April 1998. Oredein, T & Foulds, J, "Causes of the Decline in Cigarette Smoking Among African American Youths From the 1970s to the 1990s," American Journal of Public Health e1-e11, doi:10.2105/AJPH.2011.300289, August 18, 2011.

^v Ringel, J & Evans, W, "Cigarette Taxes and Smoking During Pregnancy," American Journal of Public Health 91(11):1851-6, 2001. See also, TFK Factsheet, Harm Caused by Pregnant Women Smoking or Being Exposed to Secondhand Smoke, <u>http://www.tobaccofreekids.org/research/factsheets/pdf/0007.pdf</u>.

⁴ Analysis of data from calls to 1-800-QUIT-NOW. Retrieved from Campaign for Tobacco-Free Kids. Raising Cigarette Taxes Reduces Smoking, Especially Among Kids (And the Cigarette Companies Know It). December 11, 2018. Retrieved February 11, 2019 from https://www.tobaccofreekids.org/assets/factsheets/0146.pdf

vⁱⁱ Collins, E, "Tobacco tax hike has more Oklahoma smokers trying to quit," KOKH, August 9, 2018, <u>https://ktul.com/news/local/tobaccotax-hike-has-more-oklahomans-trying-to-quit.</u>

^{viii} "Calls to Wisconsin Tobacco Quit Line breaks all records," The Dunn County News, March 12, 2008. Retrieved from Campaign for Tobacco-Free Kids. Raising Cigarette Taxes Reduces Smoking, Especially Among Kids (And the Cigarette Companies Know It). December 11, 2018. Retrieved February 11, 2019 from <u>https://www.tobaccofreekids.org/assets/factsheets/0146.pdf</u>

ix Campaign for Tobacco-Free Kids. State Cigarette Excise Tax Rates & Rankings. December 21, 2018.



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 4:49:01 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Zehner	Individual	Oppose	Yes

Comments:

The Hawaii Smokers' Alliance strongly opposes this mean and regressive tax bill. The time when increasing cigarette taxes would bring in more money for the state are long over.

Why don't you guys put in the bill where the short fall in taxes will come from? Or which groups that steal smokers' money need to have funding cuts?





TESTIMONY OF TINA YAMAKI PRESIDENT RETAIL MERCHANTS OF HAWAII February 21, 2019

Re: SB 887 SD1 Relating to Tobacco Tax

Good morning Chairperson Dela Cruz and members of the Senate Committee on Ways and Means. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii (RMH) as founded in 1901 and is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. The retail industry is one of the largest employers in the state, employing 25% of the labor force.

We OPPOSE SB 887 SD1 Relating to Tobacco Taxes. This measure increases the cigarette and tobacco tax by five cents; and specifies revenue increases to be dedicated to specified health improvement purposes.

Many retailers statewide are already operating on a thin margin and face stiff competition. Raising the tobacco tax and permit fee will truly hurt locally owned businesses, especially the small locally owned businesses' and may potentially force some of them to close. This would mean the convenient corner store would be gone and leaving people out of work.

The retailers are not the ones selling the cigarettes and the vaping devices to those who are under 21 years of age. Many of who are underage are obtaining their cigarettes and vaping devices from their parents or older friends or purchasing them on the black market. We have seen a significant spike in theft and tobacco products are a favorite to be stolen. Those selling the stolen goods do not card to see how old someone is.

We urge you to hold this measure. Mahalo again for this opportunity to testify.



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 7:07:41 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jason Park	Individual	Oppose	No



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 7:32:47 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Anthony Orozco	Individual	Oppose	No



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 7:43:13 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michelle Robinson	Individual	Oppose	No



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 8:27:24 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dustin Andrews	Individual	Oppose	No

Comments:

F*ck this bill!



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 9:44:41 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kathy Kim	Individual	Oppose	No



<u>SB-887-SD-1</u> Submitted on: 2/20/2019 11:45:24 PM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
ASHLEY MATTOS	Individual	Oppose	No



<u>SB-887-SD-1</u> Submitted on: 2/21/2019 6:52:03 AM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Sabrina Spencer	Individual	Oppose	No



<u>SB-887-SD-1</u> Submitted on: 2/21/2019 7:55:51 AM Testimony for WAM on 2/21/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Peggy Mierzwa	Testifying for Blue Zones Project	Support	No

Comments:

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and Members,

Please move this measure forward which will increase the tax on cigarettes. Raising the cigarette tax continues to be supported by a majority of voters. This money will help to continue the research and fight against the ill effects of tobacco.

Mahalo