
A BILL FOR AN ACT

RELATING TO HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that smoking is the
2 largest cause of morbidity and mortality in the nation that can
3 be easily prevented. Beyond harming individual health, use of
4 tobacco in the United States costs about \$7.18 for each pack of
5 cigarettes sold in terms of health care expenses and decreased
6 worker productivity. In Hawaii, this amounts to \$526,000,000 in
7 health care expenses and productivity losses.

8 Smoking is also associated with cancer, heart disease,
9 stroke, emphysema, bronchitis, low birth-weight babies, sudden
10 infant death syndrome, increased frequency of colds and ear
11 infections, and asthma. Asthma is the largest single cause of
12 school absenteeism in the state.

13 The legislature further finds that increasing the tax on
14 cigarettes is the most effective way to prevent young people
15 from becoming daily smokers. It has been estimated that a ten
16 per cent increase in the price of cigarettes decreases the
17 number of youngsters who start smoking by three to seven per
18 cent in the long-term. The estimated decrease for adults is



1 three per cent. Hawaii was once amongst the nation's leaders in
2 cigarette taxes. However, as of January 2005, the State ranks
3 only tenth in the nation in imposing \$1.40 in tax per pack of
4 cigarettes (7.00 cents per cigarette in a twenty-cigarette
5 pack). Rhode Island ranks first with \$2.46 per pack, New Jersey
6 ranks second with \$2.40 per pack, Michigan ranks third at \$2.00,
7 Montana is fourth with \$1.70, and Alaska is fifth at \$1.60 per
8 pack. Tobacco taxes can be viewed as a user tax affecting 17.3
9 per cent of Hawaii adults who are smokers and who do not pay the
10 full societal costs of their use of tobacco.

11 The legislature further finds that allocating a significant
12 percentage of tobacco tax revenues to programs that strive to
13 maintain Hawaii's health such as the John A. Burns school of
14 medicine, Hawaii's emergency medical services, our critically
15 needed trauma centers, and the community health centers are the
16 most appropriate and effective use of such revenues to help the
17 greatest number of people in our island-state.

18 The purpose of this bill is to discourage smoking,
19 especially by young people, by increasing the tax on cigarettes
20 and to allocate funds to effective sources in the prevention and
21 treatment of disease and injury.



1 SECTION 2. Section 245-3, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) Every wholesaler or dealer, in addition to any other
4 taxes provided by law, shall pay for the privilege of conducting
5 business and other activities in the State:

6 ~~[(1) An excise tax equal to 5.00 cents for each cigarette
7 sold, used, or, possessed by a wholesaler or dealer
8 after June 30, 1998, whether or not sold at wholesale,
9 or if not sold then at the same rate upon the use by
10 the wholesaler or dealer;~~

11 ~~(2) An excise tax equal to 6.00 cents for each cigarette
12 sold, used, or possessed by a wholesaler or dealer
13 after September 30, 2002, whether or not sold at
14 wholesale, or if not sold then at the same rate upon
15 the use by the wholesaler or dealer;~~

16 ~~(3) An excise tax equal to 6.50 cents for each cigarette
17 sold, used, or possessed by a wholesaler or dealer
18 after June 30, 2003, whether or not sold at wholesale,
19 or if not sold then at the same rate upon the use by
20 the wholesaler or dealer;~~

21 ~~(4)]~~ (1) An excise tax equal to 7.00 cents for each
22 cigarette sold, used, or possessed by a wholesaler or

1 dealer after June 30, 2004, whether or not sold at
2 wholesale, or if not sold then at the same rate upon
3 the use by the wholesaler or dealer; [~~and~~]

4 (2) An excise tax equal to _____ cents for each cigarette
5 sold, used, or possessed by a wholesaler or dealer on
6 and after January 1, 2007, whether or not sold at
7 wholesale, or if not sold then at the same rate upon
8 the use by the wholesaler or dealer;

9 (3) An excise tax equal to _____ cents for each cigarette
10 sold, used, or possessed by a wholesaler or dealer on
11 and after January 1, 2008, whether or not sold at
12 wholesale, or if not sold then at the same rate upon
13 the use by the wholesaler or dealer;

14 (4) An excise tax equal to _____ cents for each cigarette
15 sold, used, or possessed by a wholesaler or dealer on
16 and after January 1, 2009, whether or not sold at
17 wholesale, or if not sold then at the same rate upon
18 the use by the wholesaler or dealer; and

19 (5) An excise tax equal to forty per cent of the wholesale
20 price of each article or item of tobacco products sold
21 by the wholesaler or dealer, whether or not sold at



1 wholesale, or if not sold then at the same rate upon
2 the use by the wholesaler or dealer.

3 Where the tax imposed has been paid on cigarettes or tobacco
4 products that thereafter become the subject of a casualty loss
5 deduction allowable under chapter 235, the tax paid shall be
6 refunded or credited to the account of the wholesaler or dealer.
7 The tax shall be applied to cigarettes through the use of
8 stamps."

9 SECTION 3. Section 245-15, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "**§245-15 Disposition of revenues.** All moneys collected
12 pursuant to this chapter shall be paid into the state treasury
13 as state realizations to be kept and accounted for as provided
14 by law[-]; provided that, of the moneys collected under the tax
15 imposed pursuant to section 245-3(a) that represent the
16 difference between the 7.00 cents for each cigarette sold, used,
17 or possessed by a wholesaler or dealer under section 245-3(a)(1)
18 and the amounts of tax imposed and collected on each cigarette
19 sold, used, or possessed by a wholesaler or dealer under section
20 245-3(a)(2), (3), and (4):



1 (1) per cent of the moneys shall be paid to the
2 University of Hawaii's John A. Burns school of
3 medicine for research and operating expenses;

4 (2) per cent of the moneys shall be paid into the
5 emergency medical services special fund established
6 pursuant to section 321-234;

7 (3) per cent of the moneys shall be paid into the
8 trauma care fund established pursuant to section
9 321- ; and

10 (4) per cent of the moneys shall be expended by the
11 department of health to fund community health centers
12 statewide."

13 SECTION 4. Section 321-234, Hawaii Revised Statutes, is
14 amended by amending subsection (c) to read as follows:

15 "(c) Fees remitted pursuant to section 249-31, cigarette
16 tax revenues designated under section 245-15, interest and
17 investment earnings attributable to the moneys in the special
18 fund, legislative appropriations, and grants, donations, and
19 contributions from private or public sources for the purposes of
20 the fund, shall be deposited into the special fund."

21 SECTION 5. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.



1 SECTION 6. This Act shall take effect on July 1, 2006;
2 provided that section 3, paragraph 3 shall take effect only if a
3 bill establishing the trauma care fund, in any form, passed by
4 the legislature in the regular session of 2006 becomes an Act;
5 provided further that if the trauma care fund is not
6 established, the amounts designated to be paid into the trauma
7 care fund shall be paid into the general fund.

S.B. NO. 2761

S.D. 1, H.D. 1

Report Title:

Health Research; Cigarette Tax Increase

Description:

Increases tax per cigarette to fund the John A. Burns school of medicine, emergency medical services, trauma care, and community health centers. (SB2961 HD1)

SB2961 HD1 HMS 2006-3046

