

JAN 25 2006

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 in the household. Asthma is the largest
12 single cause of 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 the
9 17.3 per cent of Hawaii adults who are smokers and who do not
10 pay the full societal costs of their use of tobacco.

11 The legislature further finds that allocating a significant
12 percentage of tobacco tax revenues to the Cancer Research Center
13 of Hawaii is the most appropriate and effective use of such
14 revenues. The Cancer Research Center is a National Cancer
15 Institute-designated Cancer Center. This mark of excellence is
16 given to cancer centers which conduct a combination of basic,
17 population sciences, and clinical research, but are not required
18 to offer patient care. The Cancer Research Center is one of
19 several NCI-designated Cancer Centers that does not offer
20 patient care. As a result, Hawaii residents must travel to the
21 mainland for access to clinical trials of drugs and other
22 cutting-edge cancer treatments. Such travel will become an



1 increasing burden for state residents because the number of
2 cancer cases in Hawaii is expected to double by 2030.

3 Dedicating fifty per cent of the tobacco tax revenues to
4 the research and operating expenses of the Cancer Research
5 Center of Hawaii will enable it to be considered for
6 classification as a NCI-designated Comprehensive Cancer Center.
7 This classification requires the Cancer Research Center to
8 dedicate its efforts to the eradication of cancer through a
9 comprehensive and multi-disciplinary program of cancer research,
10 treatment, patient care, prevention, education, and community
11 outreach. The competition for this classification is highly
12 competitive due to the health advantages and economic advantages
13 it brings. A Comprehensive Cancer Center could serve as the
14 engine for biotechnology development in the State, as cancer
15 research and treatment attracts the most biotechnology
16 investment dollars. The expanded Center would also be a spur to
17 increased health tourism.

18 The dedication of funds would also enable the Center to
19 expand to the neighbor islands and allow all Hawaii residents to
20 receive state-of-the-art cancer treatment at home.

21 The purpose of this Act is to discourage smoking,
22 especially by young people, by increasing the tax on cigarettes



1 and to allocate funds to effective sources in the prevention and
2 treatment of cancer caused by smoking.

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

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

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

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

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



- 1 ~~(4)~~] (1) An excise tax equal to 7.00 cents for each
2 cigarette sold, used, or possessed by a wholesaler or
3 dealer after June 30, 2004, whether or not sold at
4 wholesale, or if not sold then at the same rate upon
5 the use by the wholesaler or dealer; [~~and~~]
- 6 (2) An excise tax equal to 9.00 cents for each cigarette
7 sold, used, or possessed by a wholesaler or dealer on
8 and after January 1, 2007, whether or not sold at
9 wholesale, or if not sold then at the same rate upon
10 the use by the wholesaler or dealer;
- 11 (3) An excise tax equal to 11.00 cents for each cigarette
12 sold, used, or possessed by a wholesaler or dealer on
13 and after January 1, 2008, 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 (4) An excise tax equal to 13.00 cents for each cigarette
17 sold, used, or possessed by a wholesaler or dealer on
18 and after January 1, 2009, whether or not sold at
19 wholesale, or if not sold then at the same rate upon
20 the use by the wholesaler or dealer; and
- 21 (5) An excise tax equal to forty per cent of the wholesale
22 price of each article or item of tobacco products sold



1 by the wholesaler or dealer, 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.

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

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

12 "**§245-15 Disposition of revenues.** All moneys collected
13 pursuant to this chapter shall be paid into the state treasury
14 as state realizations to be kept and accounted for as provided
15 by law[-]; provided that, of the moneys collected under the tax
16 imposed pursuant to section 245-3(a) that represent the
17 difference between the 7 cents for each cigarette sold, used, or
18 possessed by a wholesaler or dealer under paragraph (1) of that
19 section and the amounts of tax imposed and collected on each
20 cigarette sold, used, or possessed by a wholesaler or dealer
21 under paragraphs (2), (3), and (4) of that section:



1 (1) Fifty per cent of the moneys shall be paid to the
2 Cancer Research Center of Hawaii for research and
3 operating expenses;

4 (2) Twenty-five per cent of the moneys shall be paid to
5 the department of health for health promotion and
6 disease prevention programs under section 328L-4(2);
7 and

8 (3) Twenty-five per cent of the moneys shall be paid into
9 the Hawaii tobacco prevention and control trust fund
10 under section 328L-5."

11 SECTION 4. Section 328L-4, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "~~{}~~ §328L-4 ~~{}~~ Use of funds appropriated to the
14 department. The department, immediately upon receipt of the
15 thirty-five per cent of moneys appropriated pursuant to section
16 328L-2(b)(2) shall:

17 (1) Transfer up to ten per cent of the total moneys
18 received by the State from tobacco settlement moneys
19 to the department of human services for the children's
20 health insurance program; and

21 (2) Expend the remainder of the moneys received by the
22 department and the cigarette tax revenues designated



1 under section 245-15 for health promotion and disease
2 prevention programs, including but not limited to,
3 maternal child health and child development programs,
4 promotion of healthy lifestyles (including fitness,
5 nutrition, and tobacco control), and prevention
6 oriented public health programs.

7 For purposes of paragraph (2), the director shall convene
8 an advisory group that shall be separate from the tobacco
9 prevention and control advisory board, to strategically plan the
10 development and implementation of preventive systems to achieve
11 measurable outcomes and to make recommendations for the
12 expenditure of these moneys. The advisory group shall be
13 composed of nine members with expertise in the programs under
14 paragraph (2), and shall be selected at the discretion of the
15 director."

16 SECTION 5. Section 328L-5, Hawaii Revised Statutes, is
17 amended by amending subsections (d) and (e) to read as follows:

18 "(d) The Hawaii tobacco prevention and control trust fund
19 may receive appropriations, contributions, grants, endowments,
20 cigarette tax revenues pursuant to section 245-15, or gifts in
21 cash or otherwise from any source, including the State,
22 corporations or other businesses, foundations, government,



1 individuals, and other interested parties; provided that any
2 appropriations made by the State shall not supplant or diminish
3 the funding of existing tobacco prevention and control programs
4 or any health related programs funded in whole or in part by the
5 State.

6 (e) The assets of the Hawaii tobacco prevention and
7 control trust fund shall consist of:

- 8 (1) Moneys appropriated under section 328L-2(b)(3);
- 9 (2) Moneys appropriated to the Hawaii tobacco prevention
10 and control trust fund by the state, including
11 cigarette tax revenues earmarked under section 245-15,
12 or by the county, or by the federal government;
- 13 (3) Private contributions of cash or property; and
- 14 (4) Income and capital gains earned by the trust fund."

15 SECTION 6. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 7. This Act shall take effect upon its approval.

18 *[Handwritten signatures: Hei Osh, Robert Han, Susan Merando, Rosslyn H Parker, John Hee]*
 INTRODUCED BY: *[Handwritten signature: Rosslyn H Parker]*
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 19 *[Handwritten signature: Will Syo]* *[Handwritten signature: S.S.T.]*
[Handwritten signature: Duncan Chao Fukunaga]
[Handwritten signature: Norman Sakamoto]
[Handwritten signature: Susees Koh]
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Report Title:
Health Research; Cigarette Tax Increase

SB. NO. 2961

Description:

Increases tax per cigarette to 9 cents after 1/1/2007, 11 cents after 1/1/2008, and 13 cents after 1/1/2009. Earmarks 50% of tax to Cancer Research Center, 25% to DOH health promotion and disease prevention programs, and 25% to the Hawaii tobacco prevention and control trust fund.

