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# A BILL FOR AN ACT

RELATING TO TAX ON TOBACCO PRODUCTS OTHER THAN CIGARETTES.

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

1           SECTION 1. The legislature finds that, according to the  
2 University of Minnesota, of the estimated ten million users of  
3 smokeless tobacco, three million are under the age of twenty-  
4 one. Almost twenty-five per cent of young users start by the  
5 sixth grade, and almost seventy-five per cent start by the ninth  
6 grade. In 1970, young males ages seventeen to nineteen used  
7 smokeless tobacco the least of any age group. Today, usage by  
8 males of these ages is the highest of any age group. In  
9 America, more than three per cent of adult males, and less than  
10 one per cent of females, use smokeless tobacco. Among youth in  
11 grades nine to twelve, eight per cent use smokeless tobacco at  
12 least once a month and two to three per cent use it daily.

13           Chewing, or smokeless, tobacco contains over two thousand  
14 chemicals, many of which have been directly related to causing  
15 cancer, especially in the oral cavity. Studies have revealed  
16 potent carcinogens in chewing tobacco and snuff. The major  
17 carcinogens in smokeless tobacco are nitrosamines, polynuclear

1 aromatic hydrocarbons, and radioactive and metallic compounds.  
2 The nitrosamine content of smokeless tobacco exceeds more than  
3 one thousand times the nitrosamine content allowed by the United  
4 States Food and Drug Administration in products such as beer and  
5 bacon.

6 Oral cancer has been shown to occur several times more  
7 frequently among individuals who use smokeless tobacco than  
8 nontobacco users, and the excess risk of cancers of the cheek  
9 and gum reaches nearly fifty-fold among long-term snuff users.  
10 Smokeless tobacco is also associated with cancers of the  
11 esophagus, larynx, and stomach and an increased risk of heart  
12 attacks and other cardiovascular diseases. About forty to sixty  
13 per cent of smokeless tobacco users exhibit leukoplakia, which  
14 is regarded as precancerous with a malignant transformation rate  
15 of two to six per cent, in the area where the quid is held,  
16 usually within a few months of beginning regular use.

17 Using smokeless tobacco is also addictive. The nicotine in  
18 smokeless tobacco and snuff is absorbed directly into the  
19 bloodstream. An individual who uses smokeless tobacco has a  
20 similar, or even higher, level of nicotine than a smoker who  
21 smokes a pack or more a day.

1           The purpose of this Act is to increase deterrents against  
2 the use of tobacco products other than cigarettes, including  
3 smokeless tobacco, snuff, cigars, and pipe tobacco.

4           SECTION 2. Section 245-1, Hawaii Revised Statutes, is  
5 amended by amending the definition of "tobacco products" to read  
6 as follows:

7           ""Tobacco products" means tobacco in any form other than  
8 cigarettes, that is prepared or intended for consumption by[~~r~~]  
9 or [~~the~~] for personal use [~~of, humans~~], including cigars and any  
10 substitutes thereof other than cigarettes [~~which~~] that bear the  
11 semblance thereof, snuff, chewing or smokeless tobacco, and  
12 smoking or pipe tobacco."

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

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

18           (1) An excise tax equal to 5.00 cents for each cigarette  
19                sold, used, or, possessed by a wholesaler or dealer  
20                after June 30, 1998, 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           (2) An excise tax equal to 6.00 cents for each cigarette  
2           sold, used, or possessed by a wholesaler or dealer  
3           after September 30, 2002, 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;
- 6           (3) An excise tax equal to 6.50 cents for each cigarette  
7           sold, used, or possessed by a wholesaler or dealer  
8           after June 30, 2003, 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          (4) An excise tax equal to 7.00 cents for each cigarette  
12          sold, used, or possessed by a wholesaler or dealer  
13          after June 30, 2004, whether or not sold at wholesale,  
14          or if not sold then at the same rate upon the use by  
15          the wholesaler or dealer;
- 16          (5) An excise tax equal to 8.00 cents for each cigarette  
17          sold, used, or possessed by a wholesaler or dealer on  
18          and after September 30, 2006, 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;
- 21          (6) An excise tax equal to 9.00 cents for each cigarette  
22          sold, used, or possessed by a wholesaler or dealer on

1 and after September 30, 2007, 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 (7) An excise tax equal to 10.00 cents for each cigarette  
5 sold, used, or possessed by a wholesaler or dealer on  
6 and after September 30, 2008, 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 (8) An excise tax equal to 11.00 cents for each cigarette  
10 sold, used, or possessed by a wholesaler or dealer on  
11 and after September 30, 2009, 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 (9) An excise tax equal to 12.00 cents for each cigarette  
15 sold, used, or possessed by a wholesaler or dealer on  
16 and after September 30, 2010, 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;

19 (10) An excise tax equal to 13.00 cents for each cigarette  
20 sold, used, or possessed by a wholesaler or dealer on  
21 and after September 30, 2011, 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; and

3           (11) An excise tax equal to:

4           (A) [forty] Eighty-five per cent of the wholesale  
5           price of each article or item of tobacco products  
6           sold by the wholesaler or dealer~~[r]~~ on and after  
7           September 30, 2009, whether or not sold at  
8           wholesale, or if not sold then at the same rate  
9           upon the use by the wholesaler or dealer~~[r]~~;

10          (B) Ninety-five per cent of the wholesale price of  
11          each article or item of tobacco products sold by  
12          the wholesaler or dealer on and after September  
13          30, 2010, whether or not sold at wholesale, or if  
14          not sold then at the same rate upon the use by  
15          the wholesaler or dealer; and

16          (C) One hundred five per cent of the wholesale price  
17          of each article or item of tobacco products sold  
18          by the wholesaler or dealer on and after  
19          September 30, 2011, whether or not sold at  
20          wholesale, or if not sold then at the same rate  
21          upon the use by the wholesaler or dealer.

22

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

7 SECTION 4. Section 245-15, Hawaii Revised Statutes, is  
8 amended to read as follows:

9 "**§245-15 Disposition of revenues.** All moneys collected  
10 pursuant to this chapter shall be paid into the state treasury  
11 as state realizations to be kept and accounted for as provided  
12 by law; provided that, of the moneys collected under the tax  
13 imposed pursuant to:

14 (1) Section 245-3(a) (5), after September 30, 2006, and  
15 prior to October 1, 2007, 1.0 cent per cigarette shall  
16 be deposited to the credit of the Hawaii cancer  
17 research special fund, established pursuant to section  
18 304A-2168, for research and operating expenses and for  
19 capital expenditures;

20 (2) Section 245-3(a) (6), after September 30, 2007, and  
21 prior to October 1, 2008:

- 1 (A) 1.5 cents per cigarette shall be deposited to the  
2 credit of the Hawaii cancer research special  
3 fund, established pursuant to section 304A-2168,  
4 for research and operating expenses and for  
5 capital expenditures;
- 6 (B) 0.25 cents per cigarette shall be deposited to  
7 the credit of the trauma system special fund  
8 established pursuant to section 321-22.5; and
- 9 (C) 0.25 cents per cigarette shall be deposited to  
10 the credit of the emergency medical services  
11 special fund established pursuant to section 321-  
12 234;
- 13 (3) Section 245-3(a)(7), after September 30, 2008, and  
14 prior to October 1, 2009:
- 15 (A) 2.0 cents per cigarette shall be deposited to the  
16 credit of the Hawaii cancer research special  
17 fund, established pursuant to section 304A-2168,  
18 for research and operating expenses and for  
19 capital expenditures;
- 20 (B) 0.5 cents per cigarette shall be deposited to the  
21 credit of the trauma system special fund  
22 established pursuant to section 321-22.5;



1 (C) 0.25 cents per cigarette shall be deposited to  
2 the credit of the community health centers  
3 special fund[+] established pursuant to section  
4 321-1.65; and

5 (D) 0.25 cents per cigarette shall be deposited to  
6 the credit of the emergency medical services  
7 special fund established pursuant to section 321-  
8 234;

9 (4) Section 245-3(a) (8), after September 30, 2009, and  
10 prior to October 1, 2010:

11 (A) 2.0 cents per cigarette shall be deposited to the  
12 credit of the Hawaii cancer research special  
13 fund, established pursuant to section 304A-2168,  
14 for research and operating expenses and for  
15 capital expenditures;

16 (B) 0.75 cents per cigarette shall be deposited to  
17 the credit of the trauma system special fund  
18 established pursuant to section 321-22.5;

19 (C) 0.75 cents per cigarette shall be deposited to  
20 the credit of the community health centers  
21 special fund[+] established pursuant to section  
22 321-1.65; and

- 1 (D) 0.5 cents per cigarette shall be deposited to the  
2 credit of the emergency medical services special  
3 fund established pursuant to section 321-234;
- 4 (5) Section 245-3(a)(9), after September 30, 2010, and  
5 prior to October 1, 2011:
- 6 (A) 2.0 cents per cigarette shall be deposited to the  
7 credit of the Hawaii cancer research special  
8 fund, established pursuant to section 304A-2168,  
9 for research and operating expenses and for  
10 capital expenditures;
- 11 (B) 1.0 cent per cigarette shall be deposited to the  
12 credit of the trauma system special fund  
13 established pursuant to section 321-22.5;
- 14 (C) 1.0 cent per cigarette shall be deposited to the  
15 credit of the community health centers special  
16 fund~~[7]~~ established pursuant to section 321-1.65;  
17 and
- 18 (D) 1.0 cent per cigarette shall be deposited to the  
19 credit of the emergency medical services special  
20 fund established pursuant to section 321-234;  
21 [~~and~~]

1 (6) Section 245-3(a)(10), after September 30, 2011, and  
2 thereafter:

3 (A) 2.0 cents per cigarette shall be deposited to the  
4 credit of the Hawaii cancer research special  
5 fund, established pursuant to section 304A-2168,  
6 for research and operating expenses and for  
7 capital expenditures;

8 (B) 1.5 cents per cigarette shall be deposited to the  
9 credit of the trauma system special fund  
10 established pursuant to section 321-22.5;

11 (C) 1.25 cents per cigarette shall be deposited to  
12 the credit of the community health centers  
13 special fund[+] established pursuant to section  
14 321-1.65; and

15 (D) 1.25 cents per cigarette shall be deposited to  
16 the credit of the emergency medical services  
17 special fund established pursuant to section 321-  
18 234[-]; and

19 (7) Section 245-3(a)(11), after September 30, 2009, and  
20 thereafter:

21 (A) \_\_\_\_\_ per cent of the amount of tax collected on  
22 tobacco products shall be deposited to the credit

1 of the community health centers special fund  
2 established pursuant to section 321-1.65;

3 (B) per cent of the amount of tax collected on  
4 tobacco products shall be deposited to the credit  
5 of the health systems special fund established  
6 pursuant to section 323F-21; and

7 (C) per cent of the amount of tax collected on  
8 tobacco products shall be deposited to the credit  
9 of the Hawaii tobacco prevention and control  
10 trust fund established pursuant to section  
11 328L-5.

12 The department shall provide an annual accounting of these  
13 dispositions to the legislature."

14 SECTION 5. Statutory material to be repealed is bracketed  
15 and stricken. New statutory material is underscored.

16 SECTION 6. This Act shall take effect on July 1, 2050.

**Report Title:**

Tobacco Products Tax Increase; Community Health Centers Special Fund; Tobacco Prevention

**Description:**

Increases the tobacco tax on tobacco products other than cigarettes from 40% to 85% in 2009, 95% in 2010, and 105% in 2011, of the wholesale price and deposits an unspecified percentage of the proceeds collected into the community health centers special fund, the health systems special fund, and the Hawaii tobacco prevention and control trust fund. Effective 7/1/50. (SD1)