

JAN 22 2009

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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 addicting. 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 the deterrent  
2 against the use of tobacco products other than cigarettes,  
3 including 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[7] that is prepared or intended for consumption by[7]  
9 or for the personal use of[7] 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 [~~forty~~] sixty per cent of the  
4           wholesale price of each article or item of tobacco  
5           products sold by the wholesaler or dealer, whether or  
6           not sold at wholesale, or if not sold then at the same  
7           rate upon the use by the wholesaler or dealer.

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

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

16           "**§245-15 Disposition of revenues.** All moneys collected  
17      pursuant to this chapter shall be paid into the state treasury  
18      as state realizations to be kept and accounted for as provided  
19      by law; provided that, of the moneys collected under the tax  
20      imposed pursuant to:

21           (1) Section 245-3(a) (5), after September 30, 2006, and  
22           prior to October 1, 2007, 1.0 cent per cigarette shall



1 be deposited to the credit of the Hawaii cancer  
2 research special fund, established pursuant to section  
3 304A-2168, for research and operating expenses and for  
4 capital expenditures;

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

7 (A) 1.5 cents per cigarette shall be deposited to the  
8 credit of the Hawaii cancer research special  
9 fund, established pursuant to section 304A-2168,  
10 for research and operating expenses and for  
11 capital expenditures;

12 (B) 0.25 cents per cigarette shall be deposited to  
13 the credit of the trauma system special fund  
14 established pursuant to section 321-22.5; and

15 (C) 0.25 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;

19 (3) Section 245-3(a)(7), after September 30, 2008, and  
20 prior to October 1, 2009:

21 (A) 2.0 cents per cigarette shall be deposited to the  
22 credit of the Hawaii cancer research special



1 fund, established pursuant to section 304A-2168,  
2 for research and operating expenses and for  
3 capital expenditures;

4 (B) 0.5 cents per cigarette shall be deposited to the  
5 credit of the trauma system special fund  
6 established pursuant to section 321-22.5;

7 (C) 0.25 cents per cigarette shall be deposited to  
8 the credit of the community health centers  
9 special fund; and

10 (D) 0.25 cents per cigarette shall be deposited to  
11 the credit of the emergency medical services  
12 special fund established pursuant to section 321-  
13 234;

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

16 (A) 2.0 cents per cigarette shall be deposited to the  
17 credit of the Hawaii cancer research special  
18 fund, established pursuant to section 304A-2168,  
19 for research and operating expenses and for  
20 capital expenditures;





- 1 (B) 0.75 cents per cigarette shall be deposited to
- 2 the credit of the trauma system special fund
- 3 established pursuant to section 321-22.5;
- 4 (C) 0.75 cents per cigarette shall be deposited to
- 5 the credit of the community health centers
- 6 special fund; and
- 7 (D) 0.5 cents per cigarette shall be deposited to the
- 8 credit of the emergency medical services special
- 9 fund established pursuant to section 321-234;
- 10 (5) Section 245-3(a)(9), after September 30, 2010, and
- 11 prior to October 1, 2011:
- 12 (A) 2.0 cents per cigarette shall be deposited to the
- 13 credit of the Hawaii cancer research special
- 14 fund, established pursuant to section 304A-2168,
- 15 for research and operating expenses and for
- 16 capital expenditures;
- 17 (B) 1.0 cent per cigarette shall be deposited to the
- 18 credit of the trauma system special fund
- 19 established pursuant to section 321-22.5;
- 20 (C) 1.0 cent per cigarette shall be deposited to the
- 21 credit of the community health centers special
- 22 fund; and



- 1 (D) 1.0 cent per cigarette shall be deposited to the  
2 credit of the emergency medical services special  
3 fund established pursuant to section 321-234; and
- 4 (6) Section 245-3(a)(10), after September 30, 2011, and  
5 thereafter:
- 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) 1.5 cents 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) 1.25 cents per cigarette shall be deposited to  
15 the credit of the community health centers  
16 special fund; [and]
- 17 (D) 1.25 cents per cigarette shall be deposited to  
18 the credit of the emergency medical services  
19 special fund established pursuant to section 321-  
20 234[-];
- 21 (7) Section 245-3(a)(11), after September 30, 2009, and  
22 thereafter: thirty-three and one-third per cent of



1           the amount of tax collected on tobacco products other  
 2           than cigarettes shall be deposited to the credit of  
 3           the community health centers special fund established  
 4           pursuant to section 321-1.65.

5 The department shall provide an annual accounting of these  
 6 dispositions to the legislature."

7           SECTION 5. Statutory material to be repealed is bracketed  
 8 and stricken. New statutory material is underscored.

9           SECTION 6. This Act shall take effect upon its approval.

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INTRODUCED BY:

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**Report Title:**

Tobacco Products Tax Increase; Community Health Centers Special Fund

**Description:**

Increases the tobacco tax on tobacco products other than cigarettes from 40% to 60% of the wholesale price and deposits 33.3% of the proceeds collected into the community health centers special fund.

