
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that raising the price of
2 tobacco products through state tax increases will prompt a
3 reduction in tobacco use, especially among adolescents and young
4 adults. Premium cigar sellers whose products are made for adult
5 consumers, including cigars produced with Hawaii-grown tobacco,
6 are unfairly burdened as a result of a percentage tax. As a
7 result, cigar retailers are put at a competitive disadvantage
8 when lower priced cigars can be purchased legally through mail
9 order sales. Few, if any, consumers file usage taxes for cigars
10 purchased through mail order sale, creating a loss of revenue
11 for the State.

12 The purpose of this Act is to curtail tobacco use among
13 adolescents and young adults by raising tobacco taxes, without
14 placing the local premium cigar industry at a competitive
15 disadvantage as a result of a percentage tax, and to help the
16 State of Hawaii collect more tax revenue as a result of in-state
17 cigar sales.



1 SECTION 2. Section 245-1, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By adding a new definition to be appropriately inserted
4 and to read:

5 "Premium cigar" means a cigar that is made entirely by
6 hand of all natural tobacco leaf, hand-constructed and hand-
7 wrapped, with no filter or artificial flavors, wholesaling for
8 \$2 or more per cigar, and weighing more than four pounds per one
9 thousand cigars."

10 2. By amending the definition of "tobacco products" to
11 read:

12 "Tobacco products" means tobacco in any form, other than
13 cigarettes or little cigars, that is prepared or intended for
14 consumption or for personal use by humans, including [large]
15 premium cigars and any substitutes thereof other than cigarettes
16 that bear the semblance thereof, snuff, chewing or smokeless
17 tobacco, and smoking or pipe tobacco."

18 3. By deleting the definition of "large cigar".

19 [~~"Large cigar" means any roll for smoking made wholly or~~
20 ~~in part of tobacco if such product is wrapped in any substance~~
21 ~~containing tobacco and weighs more than four pounds per~~
22 ~~thousand."~~]



1 SECTION 3. 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) An excise tax equal to 7.00 cents for each cigarette
22 sold, used, or possessed by a wholesaler or dealer



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

4 (5) An excise tax equal to 8.00 cents for each cigarette
5 sold, used, or possessed by a wholesaler or dealer on
6 and after September 30, 2006, 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 (6) An excise tax equal to 9.00 cents for each cigarette
10 sold, used, or possessed by a wholesaler or dealer on
11 and after September 30, 2007, 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 (7) An excise tax equal to 10.00 cents for each cigarette
15 sold, used, or possessed by a wholesaler or dealer on
16 and after September 30, 2008, 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 (8) 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 July 1, 2009, 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 (9) An excise tax equal to 11.00 cents for each little
4 cigar sold, used, or possessed by a wholesaler or
5 dealer on and after October 1, 2009, whether or not
6 sold at wholesale, or if not sold then at the same
7 rate upon the use by the wholesaler or dealer;

8 (10) An excise tax equal to 15.00 cents for each cigarette
9 or little cigar sold, used, or possessed by a
10 wholesaler or dealer on and after July 1, 2010,
11 whether or not sold at wholesale, or if not sold then
12 at the same rate upon the use by the wholesaler or
13 dealer;

14 (11) An excise tax equal to 16.00 cents for each cigarette
15 or little cigar sold, used, or possessed by a
16 wholesaler or dealer on and after July 1, 2011,
17 whether or not sold at wholesale, or if not sold then
18 at the same rate upon the use by the wholesaler or
19 dealer;

20 (12) An excise tax equal to [~~seventy~~] eighty-five per cent
21 of the wholesale price of each article or item of
22 tobacco products, other than [~~large~~] premium cigars,



1 sold by the wholesaler or dealer on and after
2 September 30, 2009, whether or not sold at wholesale,
3 or if not sold then at the same rate upon the use by
4 the wholesaler or dealer; and

5 (13) An excise tax equal to fifty per cent of the wholesale
6 price of each [~~large~~] premium cigar of any length,
7 sold, used, or possessed by a wholesaler or dealer on
8 and after September 30, 2009, 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 Where the tax imposed has been paid on cigarettes, little
12 cigars, or tobacco products that thereafter become the subject
13 of a casualty loss deduction allowable under chapter 235, the
14 tax paid shall be refunded or credited to the account of the
15 wholesaler or dealer. The tax shall be applied to cigarettes
16 through the use of stamps."

17 SECTION 4. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 5. This Act shall take effect upon its approval
20 and shall apply to the sale of tobacco products occurring after
21 December 31, 2013.



Report Title:

Health; Cigars; Tax

Description:

Repeals the definition of large cigar and adds a new definition of premium cigar. Changes the tax rate on sales of tobacco products. Effective 1/1/2014. (SD1)

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