
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 local premium cigar
2 sellers whose products are made for adult consumers, including
3 cigars produced with Hawaii-grown tobacco, are put at a
4 competitive disadvantage by imposition of a percentage tax.
5 Lower priced cigars can be purchased legally through mail order
6 sales, but few, if any, consumers file usage taxes for mail
7 order cigars. As a result, the State loses tax revenues from
8 reduced local sales and unpaid usage taxes from mail order
9 sales.

10 The purpose of this Act is to help the State of Hawaii
11 collect more tax revenue from in-state cigar sales by replacing
12 the percentage tax with a flat tax that will help make the local
13 premium cigar industry competitive with mail order cigar
14 businesses.

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

17 1. By adding a new definition to be appropriately inserted
18 and to read:



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

6 2. By amending the definition of "tobacco products" to
7 read:

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

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

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

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



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

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

9 (2) An excise tax equal to 6.00 cents for each cigarette
10 sold, used, or possessed by a wholesaler or dealer
11 after September 30, 2002, 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 (3) An excise tax equal to 6.50 cents for each cigarette
15 sold, used, or possessed by a wholesaler or dealer
16 after June 30, 2003, whether or not sold at wholesale,
17 or if not sold then at the same rate upon the use by
18 the wholesaler or dealer;

19 (4) An excise tax equal to 7.00 cents for each cigarette
20 sold, used, or possessed by a wholesaler or dealer
21 after June 30, 2004, whether or not sold at wholesale,



- 1 or if not sold then at the same rate upon the use by
2 the wholesaler or dealer;
- 3 (5) An excise tax equal to 8.00 cents for each cigarette
4 sold, used, or possessed by a wholesaler or dealer on
5 and after September 30, 2006, whether or not sold at
6 wholesale, or if not sold then at the same rate upon
7 the use by the wholesaler or dealer;
- 8 (6) An excise tax equal to 9.00 cents for each cigarette
9 sold, used, or possessed by a wholesaler or dealer on
10 and after September 30, 2007, whether or not sold at
11 wholesale, or if not sold then at the same rate upon
12 the use by the wholesaler or dealer;
- 13 (7) An excise tax equal to 10.00 cents for each cigarette
14 sold, used, or possessed by a wholesaler or dealer on
15 and after September 30, 2008, 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 (8) An excise tax equal to 13.00 cents for each cigarette
19 sold, used, or possessed by a wholesaler or dealer on
20 and after July 1, 2009, whether or not sold at
21 wholesale, or if not sold then at the same rate upon
22 the use by the wholesaler or dealer;



- 1 (9) An excise tax equal to 11.00 cents for each little
2 cigar sold, used, or possessed by a wholesaler or
3 dealer on and after October 1, 2009, whether or not
4 sold at wholesale, or if not sold then at the same rate
5 upon the use by the wholesaler or dealer;
- 6 (10) An excise tax equal to 15.00 cents for each cigarette
7 or little cigar sold, used, or possessed by a
8 wholesaler or dealer on and after July 1, 2010, whether
9 or not sold at wholesale, or if not sold then at the
10 same rate upon the use by the wholesaler or dealer;
- 11 (11) An excise tax equal to 16.00 cents for each cigarette
12 or little cigar sold, used, or possessed by a
13 wholesaler or dealer on and after July 1, 2011, whether
14 or not sold at wholesale, or if not sold then at the
15 same rate upon the use by the wholesaler or dealer;
- 16 (12) An excise tax equal to seventy per cent of the
17 wholesale price of each article or item of tobacco
18 products, other than [~~large~~] premium cigars, sold by
19 the wholesaler or dealer on and after [~~September 30,~~
20 ~~2009,~~] January 1, 2014, whether or not sold at
21 wholesale, or if not sold then at the same rate upon
22 the use by the wholesaler or dealer; and



1 (13) An excise tax equal to [~~fifty per cent of the wholesale~~
2 ~~price of~~] 50.00 cents for each [~~large~~] premium cigar of
3 any length[~~7~~] and sold, used, or possessed by a
4 wholesaler or dealer on and after [~~September 30, 2009,~~]
5 January 1, 2014, whether or not sold at wholesale, or
6 if not sold then at the same rate upon the use by the
7 wholesaler or dealer.

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

14 SECTION 4. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 5. This Act shall take effect on July 1, 2050.



Report Title:

Cigars; Tax

Description:

Repeals the definition of large cigar and adds a new definition of premium cigar. Changes the tax rate on sales of premium cigars. Effective 7/1/2050. (SD2)

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