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# 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. The legislature further finds that premium cigar  
5 sellers whose products are made for adult consumers, including  
6 cigars produced with Hawaii-grown tobacco, are unfairly burdened  
7 as a result of a percentage tax. As a result, cigar retailers  
8 are put at a competitive disadvantage when lower priced cigars  
9 can be purchased legally through mail order sales. The  
10 legislature further finds that few, if any, consumers file usage  
11 taxes for cigars purchased through mail order sale, creating a  
12 loss of revenue for the State.

13           The purpose of this Act is to curtail tobacco use among  
14 adolescents and young adults by raising tobacco taxes, while not  
15 placing the local premium cigar industry at a competitive  
16 disadvantage as a result of a percentage tax, and to help the  
17 State of Hawaii collect more tax revenue as a result of in-state  
18 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 Proposed)

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