

JAN 17 2014

A BILL FOR AN ACT

RELATING TO TOBACCO PRODUCTS.

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

1 SECTION 1. The legislature finds that tobacco use is the
2 single most preventable cause of disease, disability, and death
3 in the United States. Tobacco use continues to be a problem in
4 Hawaii, causing approximately 1,100 deaths per year among
5 adults. An estimated 27,400 children in Hawaii currently under
6 the age of eighteen will ultimately die prematurely from
7 smoking. Tobacco use poses a heavy burden on Hawaii's health
8 care system and economy. Each year, smoking costs approximately
9 \$336,000,000 in health care expenditures and \$320,000,000 in
10 lost productivity in the State.

11 The legislature further finds that tobacco products are
12 addictive and inherently dangerous, causing many different types
13 of cancer, heart disease, and other serious illnesses. Hawaii
14 has a substantial interest in reducing the number of individuals
15 of all ages who use tobacco products, and a particular interest
16 in protecting adolescents from tobacco dependence and the
17 illnesses and premature death associated with tobacco use.



1 The legislature additionally finds that taxes on tobacco
2 products should be similar to the tax rates already imposed on
3 cigarettes. Tobacco products other than cigarettes are
4 currently taxed at a lower rate than cigarettes, even though
5 their use carries similar health risks. Research has shown that
6 either a tax on cigarettes or cigarette price increases have the
7 propensity to reduce the rate of smoking by adult and youth
8 smokers. However, the legislature is concerned that as the
9 price of cigarettes increases, smokers may be tempted to
10 purchase less expensive tobacco products, including loose or
11 roll-your-own tobacco.

12 The legislature concludes that there should not be a lower-
13 priced tobacco alternative to cigarettes in Hawaii; therefore a
14 similar tax rate for cigarettes and tobacco products that acts
15 as a deterrent for all forms of tobacco use is needed. Higher
16 tobacco product prices will encourage tobacco users to quit,
17 sustain cessation, prevent youth initiation, and reduce
18 consumption among those who continue to use tobacco.

19 It is the legislature's intent for loose and roll-your-own
20 tobacco to be considered a tobacco product subject to the excise
21 tax under this Act.

22 The purpose of this Act is to:



- 1 (1) Impose an excise tax equal to eighty-five per cent of
2 the wholesale price of any tobacco product, other than
3 large cigars, sold by a wholesaler or dealer on and
4 after January 1, 2015, whether or not sold at
5 wholesale, or if not sold then at the same rate upon
6 the use by the wholesaler or dealer;
- 7 (2) Require any subsequent increase in the combined excise
8 tax rate imposed on cigarettes to trigger an automatic
9 excise tax increase on other tobacco products; and
- 10 (3) Require the additional moneys collected under the
11 excise tax to be deposited to the credit of the Hawaii
12 cancer research special fund.

13 SECTION 2. 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 13.00 cents for each cigarette
10 sold, used, or possessed by a wholesaler or dealer on
11 and after July 1, 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 11.00 cents for each little
15 cigar sold, used, or possessed by a wholesaler or
16 dealer on and after October 1, 2009, whether or not
17 sold at wholesale, or if not sold then at the same
18 rate upon the use by the wholesaler or dealer;

19 (10) An excise tax equal to 15.00 cents for each cigarette
20 or little cigar sold, used, or possessed by a
21 wholesaler or dealer on and after July 1, 2010,
22 whether or not sold at wholesale, or if not sold then



1 at the same rate upon the use by the wholesaler or
2 dealer;

3 (11) An excise tax equal to 16.00 cents for each cigarette
4 or little cigar sold, used, or possessed by a
5 wholesaler or dealer on and after July 1, 2011,
6 whether or not sold at wholesale, or if not sold then
7 at the same rate upon the use by the wholesaler or
8 dealer;

9 (12) An excise tax equal to seventy per cent of the
10 wholesale price of each article or item of tobacco
11 products, other than large cigars, sold by the
12 wholesaler or dealer on and after September 30, 2009,
13 whether or not sold at wholesale, or if not sold then
14 at the same rate upon the use by the wholesaler or
15 dealer; [~~and~~]

16 (13) An excise tax equal to eighty-five per cent of the
17 wholesale price of each article or item of tobacco
18 products, other than large cigars, sold by a
19 wholesaler or dealer on and after January 1, 2015,
20 whether or not sold at wholesale, or if not sold then
21 at the same rate upon the use by the wholesaler or
22 dealer; provided that if the excise tax rate of 16.00

1 cents for each cigarette or little cigar pursuant to
2 paragraph (11) increases on or after January 1, 2015,
3 the excise tax rate equal to eighty-five per cent of
4 the wholesale price for each article or item of
5 tobacco products, other than large cigars, pursuant to
6 this paragraph shall automatically increase by the
7 same percentage in the increase of the excise tax rate
8 per cigarette or little cigar pursuant to paragraph
9 (11); and

10 ~~(13)~~ (14) An excise tax equal to fifty per cent of the
11 wholesale price of each large cigar of any length,
12 sold, used, or possessed by a wholesaler or dealer on
13 and after September 30, 2009, 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 Where the tax imposed has been paid on cigarettes, little
17 cigars, or tobacco products that thereafter become the subject
18 of a casualty loss deduction allowable under chapter 235, the
19 tax paid shall be refunded or credited to the account of the
20 wholesaler or dealer. The tax shall be applied to cigarettes
21 through the use of stamps."



1 SECTION 3. Section 245-15, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§245-15 **Disposition of revenues.** All moneys collected
4 pursuant to this chapter shall be paid into the state treasury
5 as state realizations to be kept and accounted for as provided
6 by law; provided that, of the moneys collected under the tax
7 imposed pursuant to:

8 (1) Section 245-3(a)(5), after September 30, 2006, and
9 prior to October 1, 2007, 1.0 cent per cigarette shall
10 be deposited to the credit of the Hawaii cancer
11 research special fund, established pursuant to section
12 304A-2168, for research and operating expenses and for
13 capital expenditures;

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

16 (A) 1.5 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) 0.25 cents per cigarette shall be deposited to
2 the credit of the trauma system special fund
3 established pursuant to section 321-22.5; and
- 4 (C) 0.25 cents per cigarette shall be deposited to
5 the credit of the emergency medical services
6 special fund established pursuant to section 321-
7 234;
- 8 (3) Section 245-3(a)(7), after September 30, 2008, and
9 prior to July 1, 2009:
- 10 (A) 2.0 cents per cigarette shall be deposited to the
11 credit of the Hawaii cancer research special
12 fund, established pursuant to section 304A-2168,
13 for research and operating expenses and for
14 capital expenditures;
- 15 (B) 0.5 cents per cigarette shall be deposited to the
16 credit of the trauma system special fund
17 established pursuant to section 321-22.5;
- 18 (C) 0.25 cents per cigarette shall be deposited to
19 the credit of the community health centers
20 special fund established pursuant to section 321-
21 1.65; and



1 (D) 0.25 cents per cigarette shall be deposited to
2 the credit of the emergency medical services
3 special fund established pursuant to section 321-
4 234;

5 (4) Section 245-3(a)(8), after June 30, 2009, and prior to
6 July 1, 2013:

7 (A) 2.0 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) 0.75 cents per cigarette shall be deposited to
13 the credit of the trauma system special fund
14 established pursuant to section 321-22.5;

15 (C) 0.75 cents per cigarette shall be deposited to
16 the credit of the community health centers
17 special fund established pursuant to section 321-
18 1.65; and

19 (D) 0.5 cents per cigarette shall be deposited to the
20 credit of the emergency medical services special
21 fund established pursuant to section 321-234;

22 [~~and~~]



- 1 (5) Section 245-3(a)(11), after June 30, 2013, 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 321-
14 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 (6) Section 245-3(a)(13), after December 31, 2014, and
20 thereafter, all amounts shall be deposited to the
21 credit of the Hawaii cancer research special fund,
22 established pursuant to section 304A-2168, for



1 research and operating expenses and for capital
2 expenditures.

3 The department shall provide an annual accounting of these
4 dispositions to the legislature."

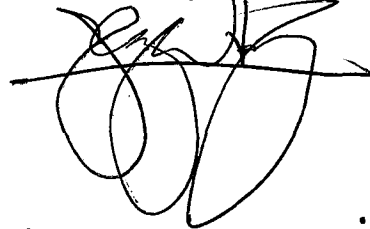
5 SECTION 4. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 5. This Act shall take effect on July 1, 2014.

8

INTRODUCED BY:

Rosalyn H. Bell



Clarence K. Michener



S.B. NO. 2496

Report Title:

Tobacco Products; Excise Tax; Hawaii Cancer Research Special Fund

Description:

Imposes an excise tax equal to eighty-five per cent of the wholesale price of any tobacco product, other than large cigars, sold by a wholesaler or dealer on and after January 1, 2015, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer. Requires any increase in the excise tax rate imposed on cigarettes on or after 1/1/2015 to trigger an automatic excise tax increase on other tobacco products on or after 1/1/2015. Requires the additional moneys collected under the excise tax to be deposited to the credit of the Hawaii cancer research special fund.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

