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# 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 one thousand one hundred deaths  
5 per year among adults. An estimated 27,400 children in Hawaii  
6 currently under the age of eighteen will ultimately die  
7 prematurely due to illnesses caused by smoking. Tobacco use  
8 poses a heavy burden on Hawaii's health care system and economy.  
9 Each year, smoking costs approximately \$336,000,000 in health  
10 care expenditures and \$320,000,000 in lost productivity in the  
11 State.

12           The legislature further finds that tobacco products are  
13 addictive and inherently dangerous, causing many different types  
14 of cancer, heart disease, and other serious illnesses. Hawaii  
15 has a substantial interest in reducing the number of individuals  
16 of all ages who use tobacco products and has a particular  
17 interest in protecting adolescents from tobacco dependence and  
18 the 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,  
14 a similar tax rate for cigarettes and tobacco products is needed  
15 to deter all forms of tobacco use. Higher tobacco product  
16 prices will encourage tobacco users to quit, sustain cessation,  
17 prevent youth initiation, and reduce consumption among those who  
18 continue to use tobacco.

19           It is the legislature's intent that loose and roll-your-own  
20 tobacco 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                   per cent of the  
2           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 excise tax rate  
8           imposed on cigarettes or little cigars to trigger an  
9           automatic excise tax increase on other tobacco  
10          products; and
- 11          (3) Require the moneys collected pursuant to the excise  
12          tax on tobacco products under section 245-3(a)(13),  
13          Hawaii Revised Statutes, to be deposited to the credit  
14          of the Hawaii cancer research special fund.

15          SECTION 2. Section 245-3, Hawaii Revised Statutes, is  
16          amended by amending subsection (a) to read as follows:

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

- 20          (1) An excise tax equal to 5.00 cents for each cigarette  
21          sold, used, or possessed by a wholesaler or dealer  
22          after June 30, 1998, 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 (2) An excise tax equal to 6.00 cents for each cigarette  
4 sold, used, or possessed by a wholesaler or dealer  
5 after September 30, 2002, 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 (3) An excise tax equal to 6.50 cents for each cigarette  
9 sold, used, or possessed by a wholesaler or dealer  
10 after June 30, 2003, whether or not sold at wholesale,  
11 or if not sold then at the same rate upon the use by  
12 the wholesaler or dealer;
- 13 (4) An excise tax equal to 7.00 cents for each cigarette  
14 sold, used, or possessed by a wholesaler or dealer  
15 after June 30, 2004, whether or not sold at wholesale,  
16 or if not sold then at the same rate upon the use by  
17 the wholesaler or dealer;
- 18 (5) An excise tax equal to 8.00 cents for each cigarette  
19 sold, used, or possessed by a wholesaler or dealer on  
20 and after September 30, 2006, 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           (6) An excise tax equal to 9.00 cents for each cigarette  
2           sold, used, or possessed by a wholesaler or dealer on  
3           and after September 30, 2007, 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           (7) An excise tax equal to 10.00 cents for each cigarette  
7           sold, used, or possessed by a wholesaler or dealer on  
8           and after September 30, 2008, 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          (8) An excise tax equal to 13.00 cents for each cigarette  
12          sold, used, or possessed by a wholesaler or dealer on  
13          and after July 1, 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          (9) An excise tax equal to 11.00 cents for each little  
17          cigar sold, used, or possessed by a wholesaler or  
18          dealer on and after October 1, 2009, whether or not  
19          sold at wholesale, or if not sold then at the same  
20          rate upon the use by the wholesaler or dealer;
- 21          (10) An excise tax equal to 15.00 cents for each cigarette  
22          or little cigar sold, used, or possessed by a



1 wholesaler or dealer on and after July 1, 2010,  
2 whether or not sold at wholesale, or if not sold then  
3 at the same rate upon the use by the wholesaler or  
4 dealer;

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

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

18 (13) An excise tax equal to \_\_\_\_\_ per cent of the  
19 wholesale price of each article or item of tobacco  
20 products, other than large cigars, sold by a  
21 wholesaler or dealer on and after January 1, 2015,  
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; provided that if the excise tax rate imposed  
 3           under paragraph (11) increases on or after January 1,  
 4           2015, the excise tax rate imposed under this paragraph  
 5           shall automatically increase by the same percentage;  
 6           and

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

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

21           "**§245-15 Disposition of revenues.** All moneys collected  
 22 pursuant to this chapter shall be paid into the state treasury

1 as state realizations to be kept and accounted for as provided  
2 by law; provided that, of the moneys collected under the tax  
3 imposed pursuant to:

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

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

12 (A) 1.5 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) 0.25 cents per cigarette shall be deposited to  
18 the credit of the trauma system special fund  
19 established pursuant to section 321-22.5; and

20 (C) 0.25 cents per cigarette shall be deposited to  
21 the credit of the emergency medical services





1 special fund established pursuant to section  
2 321-234;

3 (3) Section 245-3(a)(7), after September 30, 2008, and  
4 prior to July 1, 2009:

5 (A) 2.0 cents per cigarette shall be deposited to the  
6 credit of the Hawaii cancer research special  
7 fund, established pursuant to section 304A-2168,  
8 for research and operating expenses and for  
9 capital expenditures;

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

13 (C) 0.25 cents per cigarette shall be deposited to  
14 the credit of the community health centers  
15 special fund established pursuant to section  
16 321-1.65; and

17 (D) 0.25 cents per cigarette shall be deposited to  
18 the credit of the emergency medical services  
19 special fund established pursuant to section  
20 321-234;

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



1 (A) 2.0 cents per cigarette shall be deposited to the  
2 credit of the Hawaii cancer research special  
3 fund, established pursuant to section 304A-2168,  
4 for research and operating expenses and for  
5 capital expenditures;

6 (B) 0.75 cents per cigarette shall be deposited to  
7 the credit of the trauma system special fund  
8 established pursuant to section 321-22.5;

9 (C) 0.75 cents per cigarette shall be deposited to  
10 the credit of the community health centers  
11 special fund established pursuant to section  
12 321-1.65; and

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

16 [~~and~~]

17 (5) Section 245-3(a)(11), after June 30, 2013, and  
18 thereafter:

19 (A) 2.0 cents per cigarette shall be deposited to the  
20 credit of the Hawaii cancer research special  
21 fund, established pursuant to section 304A-2168,



1                   for research and operating expenses and for  
2                   capital expenditures;

3                   (B) 1.5 cents per cigarette shall be deposited to the  
4                   credit of the trauma system special fund  
5                   established pursuant to section 321-22.5;

6                   (C) 1.25 cents per cigarette shall be deposited to  
7                   the credit of the community health centers  
8                   special fund established pursuant to section  
9                   321-1.65; and

10                  (D) 1.25 cents per cigarette shall be deposited to  
11                  the credit of the emergency medical services  
12                  special fund established pursuant to section  
13                  321-234 [-]; and

14                  (6) Section 245-3(a)(13), after December 31, 2014, and  
15                  thereafter, all amounts shall be deposited to the  
16                  credit of the Hawaii cancer research special fund,  
17                  established pursuant to section 304A-2168, for  
18                  research and operating expenses and for capital  
19                  expenditures.

20                  The department shall provide an annual accounting of these  
21                  dispositions to the legislature."

1 SECTION 4. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect on January 1, 2050.



**Report Title:**

Tobacco Products; Cigarette and Tobacco Tax; Hawaii Cancer Research Special Fund

**Description:**

Imposes an excise tax equal to an unspecified percentage of the wholesale price of any tobacco product, other than large cigars, sold by a wholesaler or dealer on and after 1/1/2015, 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 or little cigars 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 moneys collected under the excise tax on tobacco products to be deposited to the credit of the Hawaii cancer research special fund. Effective 1/1/2050. (SD2)

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

