

JAN 22 2016

A BILL FOR AN ACT

RELATING TO TAX RATE FOR 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 1,400 deaths per year among
5 adults. An estimated 21,000 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 \$526,000,000 in direct health care expenditures and \$387,300,000
10 in 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 also finds that taxes on tobacco products
2 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 Finally, the legislature concludes that there should not be
13 a lower-priced tobacco alternative to cigarettes in Hawaii;
14 therefore a similar tax rate for cigarettes and tobacco products
15 that acts as a deterrent for all forms of tobacco use is needed.
16 Higher tobacco product prices will encourage tobacco users to
17 quit, 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.



1 The purpose of this Act is to:

2 (1) Impose an excise tax equal to eighty per cent of the
3 wholesale price of any tobacco product, other than
4 large cigars, sold by a wholesaler or dealer on and
5 after January 1, 2017, 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; and

8 (2) Require the additional moneys collected under the
9 excise tax to be deposited to the credit of the Hawaii
10 cancer research special fund.

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

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

16 (1) An excise tax equal to 5.00 cents for each cigarette
17 sold, used, or possessed by a wholesaler or dealer
18 after June 30, 1998, 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;



- 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;



- 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;



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



1 products, other than large cigars, sold by a
2 wholesaler or dealer on and after January 1, 2017,
3 whether or not sold at wholesale, or if not sold then
4 at the same rate upon the use by the wholesaler or
5 dealer; and

6 [~~(13)~~] (14) An excise tax equal to fifty per cent of the
7 wholesale price of each large cigar of any length,
8 sold, used, or possessed by a wholesaler or dealer on
9 and after September 30, 2009, whether or not sold at
10 wholesale, or if not sold then at the same rate upon
11 the use by the wholesaler or dealer.

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

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

20 "**§245-15 Disposition of revenues.** All moneys collected
21 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 321-
2 234;

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 321-
16 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 321-
20 234;



- 1 (4) Section 245-3(a)(8), after June 30, 2009, and prior to
2 July 1, 2013:
- 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) 0.75 cents per cigarette shall be deposited to
9 the credit of the trauma system special fund
10 established pursuant to section 321-22.5;
- 11 (C) 0.75 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) 0.5 cents per cigarette shall be deposited to the
16 credit of the emergency medical services special
17 fund established pursuant to section 321-234;
- 18 (5) Section 245-3(a)(11), after June 30, 2013, and prior
19 to July 1, 2015:
- 20 (A) 2.0 cents per cigarette shall be deposited to the
21 credit of the Hawaii cancer research special



1 fund, established pursuant to section 304A-2168,
2 for research and operating expenses and for
3 capital expenditures;

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

7 (C) 1.25 cents per cigarette shall be deposited to
8 the credit of the community health centers
9 special fund established pursuant to section 321-
10 1.65; and

11 (D) 1.25 cents per cigarette shall be deposited to
12 the credit of the emergency medical services
13 special fund established pursuant to section 321-
14 234; [and]

15 (6) Section 245-3(a)(11), after June 30, 2015, and
16 [~~thereafter~~] prior to January 1, 2017:

17 (A) 2.0 cents per cigarette shall be deposited to the
18 credit of the Hawaii cancer research special
19 fund, established pursuant to section 304A-2168,
20 for research and operating expenses and for
21 capital expenditures;



- 1 (B) 1.125 cents per cigarette, but not more than
2 \$7,400,000 in a fiscal year, shall be deposited
3 to the credit of the trauma system special fund
4 established pursuant to section 321-22.5;
- 5 (C) 1.25 cents per cigarette, but not more than
6 \$8,800,000 in a fiscal year, shall be deposited
7 to the credit of the community health centers
8 special fund established pursuant to section 321-
9 1.65; and
- 10 (D) 1.25 cents per cigarette, but not more than
11 \$8,800,000 in a fiscal year, shall be deposited
12 to the credit of the emergency medical services
13 special fund established pursuant to section 321-
14 234 [-]; and
- 15 (6) Section 245-3(a)(13), after December 31, 2016, and
16 thereafter, all amounts shall be deposited to the
17 credit of the Hawaii cancer research special fund,
18 established pursuant to section 304A-2168, for
19 research and operating expenses and for capital
20 expenditures.



S.B. NO. 2692

1 The department shall provide an annual accounting of these
2 dispositions to the legislature."

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

5 SECTION 5. This Act shall take effect on July 1, 2016.

6

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S.B. NO. 2692

Report Title:

Tobacco Products; Excise Tax; Hawaii Cancer Research Special Fund

Description:

Imposes an excise tax equal to eighty 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, 2017, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer. 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.

