

JAN 18 2019

A BILL FOR AN ACT

RELATING TO TOBACCO TAXES.

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

1 SECTION 1. The legislature finds that smoking is the most
2 frequent cause of morbidity and mortality in the nation and one
3 that can be easily prevented. Smoking is also associated with
4 cancer, heart disease, stroke, emphysema, bronchitis, low birth-
5 weight babies, sudden infant death syndrome, and increased
6 frequency of colds and ear infections. It is also associated
7 with asthma, which is one of the most common causes of
8 absenteeism in the State.

9 The legislature further finds that increasing the tax on
10 cigarettes is the most effective way to reduce smoking and
11 prevent young people from becoming daily smokers. It has been
12 estimated that a ten per cent increase in the price of
13 cigarettes reduces adult smoking by about two per cent, reduces
14 smoking in young adults by about three and a half per cent,
15 reduces the number of kids who smoke by six or seven per cent,
16 and reduces overall cigarette consumption by approximately three
17 to five per cent.



1 The purpose of this Act is to increase the cigarette and
2 tobacco tax, and to allocate the resulting increase in revenues
3 to augment the supply of physicians, fund the Hawaii health
4 systems corporation, and increase funding for community health
5 centers.

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

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

11 (1) An excise tax equal to 5.00 cents for each cigarette
12 sold, used, or possessed by a wholesaler or dealer
13 after June 30, 1998, 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 (2) An excise tax equal to 6.00 cents for each cigarette
17 sold, used, or possessed by a wholesaler or dealer
18 after September 30, 2002, 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 (3) An excise tax equal to 6.50 cents for each cigarette
2 sold, used, or possessed by a wholesaler or dealer
3 after June 30, 2003, whether or not sold at wholesale,
4 or if not sold then at the same rate upon the use by
5 the wholesaler or dealer;
- 6 (4) An excise tax equal to 7.00 cents for each cigarette
7 sold, used, or possessed by a wholesaler or dealer
8 after June 30, 2004, 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 (5) An excise tax equal to 8.00 cents for each cigarette
12 sold, used, or possessed by a wholesaler or dealer on
13 and after September 30, 2006, 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 (6) An excise tax equal to 9.00 cents for each cigarette
17 sold, used, or possessed by a wholesaler or dealer on
18 and after September 30, 2007, 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 (7) An excise tax equal to 10.00 cents for each cigarette
2 sold, used, or possessed by a wholesaler or dealer on
3 and after September 30, 2008, 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 (8) An excise tax equal to 13.00 cents for each cigarette
7 sold, used, or possessed by a wholesaler or dealer on
8 and after July 1, 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 (9) An excise tax equal to 11.00 cents for each little
12 cigar sold, used, or possessed by a wholesaler or
13 dealer on and after October 1, 2009, whether or not
14 sold at wholesale, or if not sold then at the same
15 rate upon the use by the wholesaler or dealer;
- 16 (10) An excise tax equal to 15.00 cents for each cigarette
17 or little cigar sold, used, or possessed by a
18 wholesaler or dealer on and after July 1, 2010,
19 whether or not sold at wholesale, or if not sold then
20 at the same rate upon the use by the wholesaler or
21 dealer;



1 (11) An excise tax equal to 16.00 cents for each cigarette
2 or little cigar sold, used, or possessed by a
3 wholesaler or dealer on and after July 1, 2011,
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 (12) An excise tax equal to 21.00 cents for each cigarette
8 or little cigar sold, used, or possessed by a
9 wholesaler or dealer on and after July 1, 2019,
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)]~~ (13) 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)]~~ (14) An excise tax equal to fifty per cent of the
21 wholesale price of each large cigar of any length,



1 sold, used, or possessed by a wholesaler or dealer on
2 and after September 30, 2009, whether or not sold at
3 wholesale, or if not sold then at the same rate upon
4 the use by the wholesaler or dealer.

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

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

13 "§245-15 Disposition of revenues. All moneys collected
14 pursuant to this chapter shall be paid into the state treasury
15 as state realizations to be kept and accounted for as provided
16 by law; provided that, of the moneys collected under the tax
17 imposed pursuant to:

- 18 (1) Section 245-3(a)(5), after September 30, 2006, and
19 prior to October 1, 2007, 1.0 cent per cigarette shall
20 be deposited to the credit of the Hawaii cancer
21 research special fund, established pursuant to section



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1 304A-2168, for research and operating expenses and for
2 capital expenditures;

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

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

13 (C) 0.25 cents per cigarette shall be deposited to
14 the credit of the emergency medical services
15 special fund established pursuant to section 321-
16 234;

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

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) 0.5 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) 0.25 cents per cigarette shall be deposited to
7 the credit of the community health centers
8 special fund established pursuant to section 321-
9 1.65; and

10 (D) 0.25 cents per cigarette shall be deposited to
11 the credit of the emergency medical services
12 special fund established pursuant to section 321-
13 234;

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

16 (A) 2.0 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;



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- 1 (B) 0.75 cents per cigarette shall be deposited to
- 2 the credit of the trauma system special fund
- 3 established pursuant to section 321-22.5;
- 4 (C) 0.75 cents per cigarette shall be deposited to
- 5 the credit of the community health centers
- 6 special fund established pursuant to section 321-
- 7 1.65; and
- 8 (D) 0.5 cents per cigarette shall be deposited to the
- 9 credit of the emergency medical services special
- 10 fund established pursuant to section 321-234;
- 11 (5) Section 245-3(a)(11), after June 30, 2013, and prior
- 12 to July 1, 2015:
- 13 (A) 2.0 cents per cigarette shall be deposited to the
- 14 credit of the Hawaii cancer research special
- 15 fund, established pursuant to section 304A-2168,
- 16 for research and operating expenses and for
- 17 capital expenditures;
- 18 (B) 1.5 cents per cigarette shall be deposited to the
- 19 credit of the trauma system special fund
- 20 established pursuant to section 321-22.5;



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- 1 (C) 1.25 cents per cigarette shall be deposited to
2 the credit of the community health centers
3 special fund established pursuant to section 321-
4 1.65; and
- 5 (D) 1.25 cents per cigarette shall be deposited to
6 the credit of the emergency medical services
7 special fund established pursuant to section 321-
8 234; and
- 9 (6) Section 245-3(a)(11), after June 30, 2015, and
10 ~~[thereafter]~~ prior to July 1, 2019:
- 11 (A) 2.0 cents per cigarette shall be deposited to the
12 credit of the Hawaii cancer research special
13 fund, established pursuant to section 304A-2168,
14 for research and operating expenses and for
15 capital expenditures;
- 16 (B) 1.125 cents per cigarette, but not more than
17 \$7,400,000 in a fiscal year, shall be deposited
18 to the credit of the trauma system special fund
19 established pursuant to section 321-22.5;
- 20 (C) 1.25 cents per cigarette, but not more than
21 \$8,800,000 in a fiscal year, shall be deposited



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1 to the credit of the community health centers
2 special fund established pursuant to section 321-
3 1.65; and

4 (D) 1.25 cents per cigarette, but not more than
5 \$8,800,000 in a fiscal year, shall be deposited
6 to the credit of the emergency medical services
7 special fund established pursuant to section 321-
8 234 [-]; and

9 (7) Section 245-3(a)(12), after July 1, 2019, and
10 thereafter:

11 (A) 2.0 cents per cigarette shall be deposited to the
12 credit of the Hawaii cancer research special
13 fund, established pursuant to section 304A-2168,
14 for research and operating expenses and for
15 capital expenditures;

16 (B) 1.125 cents per cigarette, but not more than
17 \$7,400,000 in a fiscal year, shall be deposited
18 to the credit of the trauma system special fund
19 established pursuant to section 321-22.5;

20 (C) 2.92 cents per cigarette, but not more than
21 \$8,800,000 in a fiscal year, shall be deposited



1 to the credit of the community health centers
2 special fund established pursuant to section 321-
3 1.65; and

4 (D) 1.25 cents per cigarette, but not more than
5 \$8,800,000 in a fiscal year, shall be deposited
6 to the credit of the emergency medical services
7 special fund established pursuant to section 321-
8 234;

9 (E) 1.67 cents per cigarette shall be deposited into
10 a special account of the state general fund for
11 expenditure to repay medical school loans of
12 graduates of the John A. Burns school of
13 medicine, who practice in primary care in the
14 medically underserved population areas of this
15 State, as determined by the John A. Burns school
16 of medicine; and

17 (F) 1.66 cents per cigarette shall be deposited to
18 the credit of the health systems special fund
19 under section 323F-21.

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

1 SECTION 4. Section 321-1.65, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:

3 "(c) Moneys collected pursuant to section 245-15 and
4 section 245-3(a)(12) shall be deposited into the special fund."

5 SECTION 5. Section 323F-21, Hawaii Revised Statutes, is
6 amended by amending subsection (a) to read as follows:

7 "(a) There is created in the state treasury a special fund
8 to be known as the health systems special fund, into which shall
9 be deposited all fees, proceeds, reimbursements, and the like
10 owed to or received by the corporation, any regional system
11 board, and its facilities, except as herein provided[-] and a
12 portion of cigarette and tobacco tax revenues as specified in
13 section 245-15(7)(F). There shall be established within the
14 special fund regional subaccounts for each regional system board
15 upon its establishment. The special fund and the regional
16 subaccounts shall be used solely to fulfill the purposes
17 outlined in this chapter.

18 The corporation and each regional system board may
19 establish and maintain, within the health systems special fund
20 or any regional subaccount, any other accounts that may be



1 necessary and appropriate to carry out its purposes and
2 responsibilities.

3 The corporation and any regional system board may deposit
4 moneys into trustee accounts for the purposes of securing or
5 issuing bonds.

6 The corporation and regional system boards may provide
7 reasonable reserves for any of the following purposes:

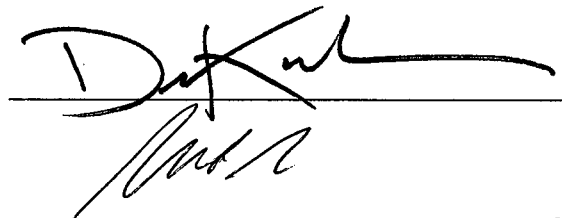
- 8 (1) Insurance deductibles;
- 9 (2) The improvement, replacement, or expansion of their
10 facilities or services;
- 11 (3) The securing of the corporation's or regional system
12 boards' bonds, notes, or other instruments of
13 indebtedness; or
- 14 (4) Any other purpose the corporation or the regional
15 system boards deem necessary or appropriate in the
16 performance of their purposes and responsibilities."

17 SECTION 6. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 7. This Act shall take effect upon its approval.

20

INTRODUCED BY:



A handwritten signature in black ink, appearing to read "Dan Kuhl", is written over a horizontal line. Below the line, there is a second, less distinct handwritten mark.



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Karl Rhoads
~~[Signature]~~



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Report Title:

Cigarette and Tobacco Tax; Increase; Health Care

Description:

Increases the cigarette and tobacco tax by five cents.
Specifies revenue increases to be dedicated to specified health improvement purposes.

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

