

JAN 19 2011

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
2 largest cause of morbidity and mortality in the nation that can
3 be easily prevented. Smoking is also associated with cancer,
4 heart disease, stroke, emphysema, bronchitis, low birth-weight
5 babies, sudden infant death syndrome, increased frequency of
6 colds and ear infections, and asthma. Asthma is the largest
7 single cause of school absenteeism in the State.

8 The legislature further finds that increasing the tax on
9 cigarettes is the most effective way to prevent young people
10 from becoming daily smokers. It has been estimated that a ten
11 per cent increase in the price of cigarettes decreases the
12 number of youngsters who start smoking by three to seven per
13 cent in the long term. In addition, a ten per cent increase in
14 the price of cigarettes would decrease the number of smoking
15 adults by three per cent.

16 The purpose of this Act is to increase the cigarette and
17 tobacco tax, and to allocate the resulting increase in revenues
18 to augment the supply of physicians, fund the Hawaii health



1 systems corporation, and increase funding for community health
2 centers.

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

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

8 (1) An excise tax equal to 5.00 cents for each cigarette
9 sold, used, or possessed by a wholesaler or dealer
10 after June 30, 1998, 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 (2) An excise tax equal to 6.00 cents for each cigarette
14 sold, used, or possessed by a wholesaler or dealer
15 after September 30, 2002, whether or not sold at
16 wholesale, or if not sold then at the same rate upon
17 the use by the wholesaler or dealer;

18 (3) An excise tax equal to 6.50 cents for each cigarette
19 sold, used, or possessed by a wholesaler or dealer
20 after June 30, 2003, 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 (4) An excise tax equal to 7.00 cents for each cigarette
2 sold, used, or possessed by a wholesaler or dealer
3 after June 30, 2004, 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 (5) An excise tax equal to 8.00 cents for each cigarette
7 sold, used, or possessed by a wholesaler or dealer on
8 and after September 30, 2006, 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 (6) An excise tax equal to 9.00 cents for each cigarette
12 sold, used, or possessed by a wholesaler or dealer on
13 and after September 30, 2007, 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 (7) An excise tax equal to 10.00 cents for each cigarette
17 sold, used, or possessed by a wholesaler or dealer on
18 and after September 30, 2008, 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 (8) An excise tax equal to 13.00 cents for each cigarette
22 sold, used, or possessed by a wholesaler or dealer on



1 and after July 1, 2009, 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 (9) An excise tax equal to 11.00 cents for each little
5 cigar sold, used, or possessed by a wholesaler or
6 dealer on and after October 1, 2009, whether or not
7 sold at wholesale, or if not sold then at the same
8 rate upon the use by the wholesaler or dealer;

9 (10) An excise tax equal to 15.00 cents for each cigarette
10 or little cigar sold, used, or possessed by a
11 wholesaler or dealer on and after July 1, 2010,
12 whether or not sold at wholesale, or if not sold then
13 at the same rate upon the use by the wholesaler or
14 dealer;

15 (11) An excise tax equal to [~~16.00~~] 21.00 cents for each
16 cigarette or little cigar sold, used, or possessed by
17 a wholesaler or dealer on and after July 1, 2011,
18 whether or not sold at wholesale, or if not sold then
19 at the same rate upon the use by the wholesaler or
20 dealer;

21 (12) An excise tax equal to seventy per cent of the
22 wholesale price of each article or item of tobacco



1 products, other than large cigars, sold by the
2 wholesaler or dealer on and after September 30, 2009,
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) An excise tax equal to fifty per cent of the wholesale
7 price of each large cigar of any length, sold, used,
8 or possessed by a wholesaler or dealer on and after
9 September 30, 2009, whether or not sold at wholesale,
10 or if not sold then at the same rate upon the use by
11 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
22 as state realizations to be kept and accounted for as provided



1 by law; provided that, of the moneys collected under the tax
2 imposed pursuant to:

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

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

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

19 (C) 0.25 cents per cigarette shall be deposited to
20 the credit of the emergency medical services
21 special fund established pursuant to section
22 321-234;



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

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) 0.5 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) 0.25 cents per cigarette shall be deposited to
12 the credit of the community health centers
13 special fund established pursuant to section
14 321-1.65; and

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

19 (4) Section 245-3(a)(8), after June 30, 2009, and prior to
20 July 1, [~~2013~~] 2011:

21 (A) 2.0 cents per cigarette shall be deposited to the
22 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) 0.75 cents per cigarette shall be deposited to
5 the credit of the trauma system special fund
6 established pursuant to section 321-22.5;

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

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

14 (5) Section 245-3(a)(11), after June 30, [~~2013,~~] 2011 and
15 thereafter:

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) 1.5 cents per cigarette shall be deposited to the
2 credit of the trauma system special fund
3 established pursuant to section 321-22.5;
- 4 (C) [~~1.25~~] 2.92 cents per cigarette shall be
5 deposited to the credit of the community health
6 centers special fund established pursuant to
7 section 321-1.65; [and]
- 8 (D) 1.25 cents per cigarette shall be deposited to
9 the credit of the emergency medical services
10 special fund established pursuant to section
11 321-234 [~~-~~];
- 12 (E) 1.67 cents per cigarette shall be deposited into
13 a special account of the state general fund for
14 expenditure to repay medical school loans of
15 graduates of the John A. Burns school of
16 medicine, who practice in primary care in the
17 medically underserved population areas of this
18 State, as determined by the John A. Burns school
19 of medicine; and
- 20 (F) 1.66 cents per cigarette shall be deposited to
21 the credit of the health systems special fund
22 under section 323F-21.



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

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

5 "(c) Moneys collected pursuant to section 245-15 and
6 section 245-3(a)(11) shall be deposited into the special fund."

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

9 "(a) There is created in the state treasury a special fund
10 to be known as the health systems special fund, into which shall
11 be deposited all fees, proceeds, reimbursements, and the like
12 owed to or received by the corporation, any regional system
13 board, and its facilities, except as herein provided[-] and a
14 portion of cigarette and tobacco tax revenues as specified in
15 section 245-15(5)(F). There shall be established within the
16 special fund regional subaccounts for each regional system board
17 upon its establishment. The special fund and the regional
18 subaccounts shall be used solely to fulfill the purposes
19 outlined in this chapter.

20 The corporation and each regional system board may
21 establish and maintain, within the health systems special fund
22 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



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

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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.

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