A BILL FOR AN ACT

RELATING TO CHAPTER 245, HAWAII REVISED STATUTES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. The legislature finds that tobacco use is the leading cause of preventable death and disease in the United States. Tobacco use continues to be a problem in HAWAI'I, causing approximately 1,400 deaths per year among adults. An estimated 21,000 children in HAWAI'I currently under the age of eighteen will ultimately die prematurely from smoking. Tobacco use poses a heavy burden on HAWAI'I's health care system and economy. Each year, smoking costs approximately $526,000,000 in direct health care expenditures and $387,300,000 in lost productivity in the State.

The legislature further finds that tobacco products are addictive and inherently dangerous. For example, the burning of tobacco products produces a complex chemical mixture of more than 7,000 compounds that cause a wide range of diseases, including cancer, heart disease, and other serious illnesses, and premature deaths. The 2014 Health Consequences of Smoking report by the United States Surgeon General found that, since the first 1964 Surgeon General's report on this topic, cigarette
smoking has been causally linked to diseases of nearly all organs of the body, diminished health status, and harm to fetuses. Furthermore, research continues to newly identify diseases caused by smoking, including common diseases such as diabetes mellitus, rheumatoid arthritis, and colorectal cancer.

The legislature additionally finds that numerous economic studies in peer-reviewed journals have documented that a cigarette tax or price increase reduces adult and youth smoking. According to research obtained by the Coalition for Tobacco-Free Kids, cigarette pack sales have gone down sharply in every state that has significantly raised its cigarette tax rate.

Nationwide data also shows that overall sales of cigarette packs decrease as state cigarette tax increases push up the average national price of cigarettes.

The legislature concludes that Hawaii has a substantial interest in reducing the number of individuals of all ages who use cigarettes and a particular interest in protecting adolescents from tobacco dependence and the illnesses and premature death associated with smoking.

Accordingly, the purpose of this Act is to:
(1) Increase the excise tax on cigarettes and little

cigars sold on or after July 1, 2016, to 20 cents per
cigarette or little cigar sold; and

(2) Of the 20 cents taxed on each cigarette or little
cigar sold, allocate the 20 cents to various funds,
including 4 cents to the Hawaii cancer research
special fund and 2 cents to the department of health
chronic disease prevention and health promotion
division, for smoking cessation programs and education
in Hawaii.

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

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

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

(3) An excise tax equal to 6.50 cents for each cigarette sold, used, or possessed by a wholesaler or dealer after June 30, 2003, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(4) An excise tax equal to 7.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer after June 30, 2004, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(5) An excise tax equal to 8.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after September 30, 2006, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;
(6) An excise tax equal to 9.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after September 30, 2007, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(7) An excise tax equal to 10.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after September 30, 2008, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(8) An excise tax equal to 13.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after July 1, 2009, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

(9) An excise tax equal to 11.00 cents for each little cigar sold, used, or possessed by a wholesaler or dealer on and after October 1, 2009, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;
(10) An excise tax equal to 15.00 cents for each cigarette or little cigar sold, used, or possessed by a wholesaler or dealer on and after July 1, 2010, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

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

(12) An excise tax equal to 20.00 cents for each cigarette or little cigar sold, used, or possessed by a wholesaler or dealer on and after July 1, 2016, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

[4-%9-] (13) An excise tax equal to seventy per cent of the wholesale price of each article or item of tobacco products, other than large cigars, sold by the
wholesaler or dealer on and after September 30, 2009, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer; and

An excise tax equal to fifty per cent of the wholesale price of each large cigar of any length, sold, used, or possessed by a wholesaler or dealer on and after September 30, 2009, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer.

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

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

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

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

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

(A) 1.5 cents per cigarette shall be deposited to the
credit of the Hawaii cancer research special
fund, established pursuant to section 304A-2168,
for research and operating expenses and for
capital expenditures;

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

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

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

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

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

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

(D) 0.25 cents per cigarette shall be deposited to the credit of the emergency medical services special fund established pursuant to section 321-234;
(4) Section 245-3(a)(8), after June 30, 2009, and prior to July 1, 2013:

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

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

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

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

(5) Section 245-3(a)(11), after June 30, 2013, and prior to July 1, 2015:

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

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

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

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

(6) Section 245-3(a)(11), after June 30, 2015, and [thereafter] prior to July 1, 2016:

(A) 2.0 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;
(B) 1.125 cents per cigarette, but not more than $7,400,000 in a fiscal year, shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5; 

(C) 1.25 cents per cigarette, but not more than $8,800,000 in a fiscal year, shall be deposited to the credit of the community health centers special fund established pursuant to section 321-1.65; and 

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

(7) Section 245-3(a)(12), on July 1, 2016, and thereafter: 

(A) 4.0 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;
(B) 1.125 cents per cigarette, but not more than $7,400,000 in a fiscal year, shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5;

(C) 1.25 cents per cigarette, but not more than $8,800,000 in a fiscal year, shall be deposited to the credit of the community health centers special fund established pursuant to section 321-1.65;

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

(E) 2.0 cents per cigarette shall be deposited to the credit of the department of health chronic disease prevention and health promotion division, for smoking cessation programs and education in Hawaii.

The department shall provide an annual accounting of these dispositions to the legislature."
SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2016.
Report Title:
Cigarette Tax and Tobacco Tax Law; Cigarettes; Little Cigars; Taxes; Disposition of Revenue

Description:
Increases the excise tax on cigarettes and little cigars sold on or after July 1, 2016, to 20 cents per each cigarette or little cigar sold. Of the 20 cents taxed on each cigarette or little cigar sold, allocate the 20 cents to various funds, including 4 cents to the Hawaii cancer research special fund and 2 cents to the department of health chronic disease prevention and health promotion division, for smoking cessation programs and education in Hawaii. (SD1)

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