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# A BILL FOR AN ACT

RELATING TO CHAPTER 245, HAWAII REVISED STATUTES.

**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 cigars are addictive and  
12 cause serious health consequences. For example, studies  
13 indicate that:

14           (1) Cigar smoking causes cancer of the oral cavity,  
15           larynx, esophagus, and lung;



1           (2) Daily cigar smokers, particularly those who inhale,  
2           have an increased risk of heart disease and chronic  
3           obstructive pulmonary disease; and

4           (3) Cigar smokers are at an increased risk for an aortic  
5           aneurysm and have higher rates of lung cancer, heart  
6           disease, and lung disease than nonsmokers.

7           Furthermore, while many believe that cigars are not harmful  
8 because cigar smoke is not inhaled, studies show that some cigar  
9 smokers do inhale, thereby absorbing smoke into their lungs and  
10 bloodstream and depositing smoke particles in their lungs as  
11 well as their stomachs and digestive tracts. Cigar smoke is  
12 composed of the same toxic and carcinogenic constituents found  
13 in cigarette smoke. All cigar smokers, regardless of whether  
14 they inhale cigar smoke, expose their lips, tongue, and throat  
15 to smoke and its toxic and cancer-causing chemicals.

16           Moreover, due to their size, cigars can produce even more  
17 secondhand smoke than cigarettes and can contain substantially  
18 higher levels of carbon monoxide and other toxins than cigarette  
19 smoke. To the extent that cigar smoke is not inhaled as deeply  
20 as cigarette smoke, secondhand cigar smoke is also less



1 "filtered" than secondhand cigarette smoke before bystanders are  
2 exposed to it.

3       The legislature also finds that while cigarette smoking has  
4 generally declined over the past several years, sales of cigars  
5 have been rising. One reason for the increase in cigar sales is  
6 that many still fail to realize the addiction and health risks  
7 associated with cigar smoking. However, another large reason is  
8 that almost every state taxes cigars at a much lower rate than  
9 it taxes cigarettes. In Hawaii, large cigars are imposed a  
10 lower excise tax than cigarettes and other tobacco products.  
11 Existing law imposes different rates of tax on various articles  
12 of tobacco. For example, the excise tax on wholesalers is equal  
13 to sixteen cents per cigarette (\$3.20 per pack), which is the  
14 same rate for little cigars, however the tax rate is seventy per  
15 cent of the wholesale price of each article or item of tobacco  
16 products, other than large cigars, sold and fifty per cent of  
17 the wholesale price of each large cigar sold.

18       The legislature additionally finds that taxes on large  
19 cigars should be similar to the tax rates imposed on tobacco  
20 products pursuant to section 245-3, Hawaii Revised Statutes.  
21 Taxes on large cigars are imposed a lower rate than other



1 tobacco products even though cigar use carries similar health  
2 risks. Research has shown that either a tax on cigarettes or  
3 increase in cigarette prices has the propensity to reduce the  
4 rate of smoking by adult and youth smokers. However, the  
5 legislature is concerned that as the price of cigarettes and  
6 other tobacco products increases, smokers may be tempted to  
7 purchase large cigars as they may be more affordable.

8 Finally, the legislature concludes that there should not be  
9 a lower-priced tobacco alternative to cigarettes or other  
10 tobacco products in Hawaii. Thus, a similar tax rate for  
11 cigarettes and tobacco products that acts as a deterrent for all  
12 forms of tobacco use is necessary. Higher tobacco product  
13 prices will encourage tobacco users to quit, sustain cessation,  
14 prevent youth initiation, and reduce consumption among those who  
15 continue to use tobacco.

16 It is the legislature's intent for large cigars to be  
17 subject to the same excise tax rate as tobacco products other  
18 than cigarettes and small cigars.

19 The purpose of this Act is to increase the excise tax from  
20 fifty to seventy per cent of the wholesale price of any large  
21 cigar sold by a wholesaler or dealer on and after January 1,



1 2018, whether or not sold at wholesale, or if not sold then at  
2 the same rate upon the use by the wholesaler or dealer.

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,



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- 1           or if not sold then at the same rate upon the use by  
2           the wholesaler or dealer;
- 3           (4) An excise tax equal to 7.00 cents for each cigarette  
4           sold, used, or possessed by a wholesaler or dealer  
5           after June 30, 2004, whether or not sold at wholesale,  
6           or if not sold then at the same rate upon the use by  
7           the wholesaler or dealer;
- 8           (5) An excise tax equal to 8.00 cents for each cigarette  
9           sold, used, or possessed by a wholesaler or dealer on  
10          and after September 30, 2006, 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          (6) An excise tax equal to 9.00 cents for each cigarette  
14          sold, used, or possessed by a wholesaler or dealer on  
15          and after September 30, 2007, 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          (7) An excise tax equal to 10.00 cents for each cigarette  
19          sold, used, or possessed by a wholesaler or dealer on  
20          and after September 30, 2008, whether or not sold at



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- 1           wholesale, or if not sold then at the same rate upon  
2           the use by the wholesaler or dealer;
- 3           (8)   An excise tax equal to 13.00 cents for each cigarette  
4           sold, used, or possessed by a wholesaler or dealer on  
5           and after July 1, 2009, 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           (9)   An excise tax equal to 11.00 cents for each little  
9           cigar sold, used, or possessed by a wholesaler or  
10          dealer on and after October 1, 2009, whether or not  
11          sold at wholesale, or if not sold then at the same  
12          rate upon the use by the wholesaler or dealer;
- 13          (10)  An excise tax equal to 15.00 cents for each cigarette  
14          or little cigar sold, used, or possessed by a  
15          wholesaler or dealer on and after July 1, 2010,  
16          whether or not sold at wholesale, or if not sold then  
17          at the same rate upon the use by the wholesaler or  
18          dealer;
- 19          (11)  An excise tax equal to 16.00 cents for each cigarette  
20          or little cigar sold, used, or possessed by a  
21          wholesaler or dealer on and after July 1, 2011,



1           whether or not sold at wholesale, or if not sold then  
2           at the same rate upon the use by the wholesaler or  
3           dealer;

4           (12) An excise tax equal to seventy per cent of the  
5           wholesale price of each article or item of tobacco  
6           products, other than large cigars, sold by the  
7           wholesaler or dealer on and after September 30, 2009,  
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; [and]

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

17          (14) An excise tax equal to seventy per cent of the  
18          wholesale price of each large cigar of any length,  
19          sold, used, or possessed by a wholesaler or dealer on  
20          and after January 1, 2018, whether or not sold at





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1            wholesale, or if not sold then at the same rate upon  
 2            the use by the wholesaler or dealer.

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

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

11            SECTION 4. This Act shall take effect on July 1, 2017.

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INTRODUCED BY:

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JAN 19 2017



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**Report Title:**

Tobacco Products; Large Cigars; Excise Tax

**Description:**

Increases the excise tax imposed on large cigars from fifty to seventy per cent of the wholesale price of any large cigar sold by a wholesaler or dealer on and after January 1, 2018, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer.

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