
A BILL FOR AN ACT

RELATING TO TAXATION.

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 one thousand four hundred deaths
5 per year among adults. An estimated twenty-one thousand
6 children in Hawaii currently under the age of eighteen will
7 ultimately die prematurely from smoking. Tobacco use poses a
8 heavy burden on Hawaii's health care system and economy. Each
9 year, smoking costs approximately \$526,000,000 in direct health
10 care expenditures and \$387,300,000 in lost productivity in the
11 State.

12 The legislature further finds that tobacco products are
13 addictive and inherently dangerous, causing many different types
14 of cancer, heart disease, and other serious illnesses.
15 Secondhand smoke causes stroke, lung cancer, and coronary heart
16 disease. Children exposed to secondhand smoke are at a higher
17 risk of sudden infant death syndrome, acute respiratory



1 infections, middle ear disease, more severe asthma, respiratory
2 problems, and slowed lung growth. Hawaii has a substantial
3 interest in reducing the number of individuals of all ages who
4 use tobacco products, and a particular interest in protecting
5 adolescents from tobacco dependence and the illnesses and
6 premature death associated with tobacco use.

7 The legislature believes that one method of reducing the
8 consumption of tobacco in Hawaii is through taxation.
9 Nationwide, a ten per cent increase in cigarette taxes has been
10 shown to decrease cigarette consumption five to fifteen per cent
11 for minors and three to seven per cent for adults. On average,
12 a one per cent increase in cigarette price will reduce youth
13 cigarette consumption by one per cent. Preventing minors from
14 starting to smoke will help them lead a longer, healthier, and
15 more productive life.

16 The purpose of this Act is to reduce tobacco and cigarette
17 consumption in Hawaii by increasing the costs to sell and
18 purchase tobacco and cigarette products.

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



1 "(b) The license shall be issued by the department upon
2 application therefor, in such form and manner as shall be
3 required by rule of the department, and the payment of a fee of
4 [~~\$2.50,~~ \$500, and shall be renewable annually on July 1 for the
5 twelve months ending the succeeding June 30."

6 SECTION 3. 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 22.50 cents for each cigarette
8 or little cigar sold, used, or possessed by a
9 wholesaler or dealer on and after July 1, 2018,
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 (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 eighty per cent of the
21 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 July 1, 2018,
 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 (15) 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 4. Statutory material to be repealed is bracketed
 19 and stricken. New statutory material is underscored.

20 SECTION 5. This Act shall take effect on July 1, 3000.



Report Title:

Tobacco; Taxes; Cigarette; Cigar; License

Description:

Increases the license fee for wholesalers or dealers of cigarettes and tobacco products. Increases the excise tax on cigarettes and tobacco products. (SB2843 HD1)

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