A BILL FOR AN ACT

RELATING TO TOBACCO TAXES.

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

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

The legislature further finds that increasing the tax on cigarettes is the most effective way to reduce smoking and prevent young people from becoming daily smokers. It has been estimated that a ten per cent increase in the price of cigarettes reduces adult smoking by about two per cent, reduces smoking in young adults by about three and a half per cent, reduces the number of kids who smoke by six or seven per cent, and reduces overall cigarette consumption by approximately three to five per cent.
The purpose of this Act is to increase the cigarette and tobacco tax, and to allocate the resulting increase in revenues to augment the supply of physicians, fund the Hawaii health systems corporation, and increase funding for community health centers.

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 21.00 cents for each cigarette or little cigar sold, used, or possessed by a wholesaler or dealer on and after July 1, 2019, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer;

[({12}-) (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

[({13}-) (14) 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;

(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, 2019:

(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), after July 1, 2019, and
thereafter:
(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) 2.92 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;

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

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

The department shall provide an annual accounting of these dispositions to the legislature."
SECTION 4. Section 321-1.65, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

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

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

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

The corporation and each regional system board may establish and maintain, within the health systems special fund or any regional subaccount, any other accounts that may be
necessary and appropriate to carry out its purposes and responsibilities.

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

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

1. Insurance deductibles;
2. The improvement, replacement, or expansion of their facilities or services;
3. The securing of the corporation's or regional system boards' bonds, notes, or other instruments of indebtedness; or
4. Any other purpose the corporation or the regional system boards deem necessary or appropriate in the performance of their purposes and responsibilities."

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

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