

JAN 18 2013

A BILL FOR AN ACT

RELATING TO TOBACCO PRODUCTS.

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 1,100 deaths per year among
5 adults. An estimated 27,400 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 \$336,000,000 in health care expenditures and \$320,000,000 in
10 lost productivity in the State.

11 The legislature further finds that tobacco products are
12 addictive and inherently dangerous, causing many different types
13 of cancer, heart disease, and other serious illnesses. Hawaii
14 has a substantial interest in reducing the number of individuals
15 of all ages who use tobacco products, and a particular interest
16 in protecting adolescents from tobacco dependence and the
17 illnesses and premature death associated with tobacco use.



1 The legislature additionally finds that taxes on tobacco
2 products should be similar to the tax rates already imposed on
3 cigarettes. Tobacco products other than cigarettes are
4 currently taxed at a lower rate than cigarettes, even though
5 their use carries similar health risks. Research has shown that
6 either a tax on cigarettes or cigarette price increases have the
7 propensity to reduce the rate of smoking by adult and youth
8 smokers. However, the legislature is concerned that as the
9 price of cigarettes increases, smokers may be tempted to
10 purchase less expensive tobacco products, including loose or
11 roll-your-own tobacco.

12 The legislature concludes that there should not be a lower-
13 priced tobacco alternative to cigarettes in Hawaii; therefore a
14 similar tax rate for cigarettes and tobacco products that acts
15 as a deterrent for all forms of tobacco use is needed. Higher
16 tobacco product prices will encourage tobacco users to quit,
17 sustain cessation, prevent youth initiation, and reduce
18 consumption among those who continue to use tobacco.

19 It is the legislature's intent for loose and roll-your-own
20 tobacco to be considered a tobacco product subject to the excise
21 tax under this Act.

22 The purpose of this Act is to:



1 (1) Impose an excise tax equal to \$3.20 per net ounce of
2 tobacco for each article or item of tobacco products,
3 other than large cigars, sold by the wholesaler or
4 dealer on and after January 1, 2014; and

5 (2) Require the additional moneys collected under the
6 excise tax to be deposited to the credit of the Hawaii
7 cancer research special fund.

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

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

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

18 (2) An excise tax equal to 6.00 cents for each cigarette
19 sold, used, or possessed by a wholesaler or dealer
20 after September 30, 2002, whether or not sold at
21 wholesale, or if not sold then at the same rate upon
22 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;
- 21 (7) An excise tax equal to 10.00 cents for each cigarette
22 sold, used, or possessed by a wholesaler or dealer on



1 and after September 30, 2008, 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 (8) An excise tax equal to 13.00 cents for each cigarette
5 sold, used, or possessed by a wholesaler or dealer on
6 and after July 1, 2009, whether or not sold at
7 wholesale, or if not sold then at the same rate upon
8 the use by the wholesaler or dealer;

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

14 (10) An excise tax equal to 15.00 cents for each cigarette
15 or little cigar sold, used, or possessed by a
16 wholesaler or dealer on and after July 1, 2010,
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;

20 (11) An excise tax equal to 16.00 cents for each cigarette
21 or little cigar sold, used, or possessed by a
22 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 \$3.20 per net ounce of tobacco,
12 as provided in good faith by the manufacturer, of each
13 article or item of tobacco products, other than large
14 cigars, sold by the wholesaler or dealer on and after
15 January 1, 2014, whether or not sold at wholesale, or
16 if not sold then at the same rate upon the use by the
17 wholesaler or dealer; and

18 [~~(13)~~] (14) An excise tax equal to fifty per cent of the
19 wholesale price of each large cigar of any length,
20 sold, used, or possessed by a wholesaler or dealer on
21 and after September 30, 2009, whether or not sold at



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

11 "**§245-15 Disposition of revenues.** All moneys collected
12 pursuant to this chapter shall be paid into the state treasury
13 as state realizations to be kept and accounted for as provided
14 by law; provided that, of the moneys collected under the tax
15 imposed pursuant to:

16 (1) Section 245-3(a)(5), after September 30, 2006, and
17 prior to October 1, 2007, 1.0 cent per cigarette shall
18 be deposited to the credit of the Hawaii cancer
19 research special fund, established pursuant to section
20 304A-2168, for research and operating expenses and for
21 capital expenditures;



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

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

11 (C) 0.25 cents per cigarette shall be deposited to
12 the credit of the emergency medical services
13 special fund established pursuant to section
14 321-234;

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

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



1 (B) 0.5 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) 0.25 cents per cigarette shall be deposited to
5 the credit of the community health centers
6 special fund established pursuant to section
7 321-1.65; and

8 (D) 0.25 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 (4) Section 245-3(a)(8), after June 30, 2009, and prior to
13 July 1, 2013:

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

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



- 1 (C) 0.75 cents per cigarette shall be deposited to
2 the credit of the community health centers
3 special fund established pursuant to section
4 321-1.65; and
- 5 (D) 0.5 cents per cigarette shall be deposited to the
6 credit of the emergency medical services special
7 fund established pursuant to section 321-234;
8 [and]
- 9 (5) Section 245-3(a)(11), after June 30, 2013, and
10 thereafter:
- 11 (A) 2.0 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) 1.5 cents per cigarette shall be deposited to the
17 credit of the trauma system special fund
18 established pursuant to section 321-22.5;
- 19 (C) 1.25 cents per cigarette shall be deposited to
20 the credit of the community health centers
21 special fund established pursuant to section
22 321-1.65; and



1 (D) 1.25 cents per cigarette shall be deposited to
 2 the credit of the emergency medical services
 3 special fund established pursuant to section
 4 321-234 [-]; and

5 (6) Section 245-3(a)(13), on or after January 1, 2014, and
 6 thereafter, \$3.20 per net ounce of tobacco of each
 7 article or item of tobacco products, other than large
 8 cigars, shall be deposited to the credit of the Hawaii
 9 cancer research special fund, established pursuant to
 10 section 304A-2168, for research and operating expenses
 11 and for capital expenditures.

12 The department shall provide an annual accounting of these
 13 dispositions to the legislature."

14 SECTION 4. Statutory material to be repealed is bracketed
 15 and stricken. New statutory material is underscored.

16 SECTION 5. This Act shall take effect on July 1, 2013.

17

INTRODUCED BY: Rosalyn H. Baker

David Baker
Josh Isaac
Theranne Chun Akhmal



S.B. NO. 492

Report Title:

Tobacco Products; Excise Tax; Hawaii Cancer Research Special Fund

Description:

Imposes an excise tax equal to \$3.20 per net ounce of tobacco for each article or item of tobacco products, other than large cigars, sold by the wholesaler or dealer on and after January 1, 2014. Requires the additional moneys collected under the excise tax to be deposited to the credit of the Hawaii cancer research special fund.

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

