
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 PART I

2 SECTION 1. The legislature finds that tobacco use is the
3 single most preventable cause of disease, disability, and death
4 in the United States. Tobacco use continues to be a problem in
5 Hawaii, causing approximately one thousand four hundred deaths
6 per year among adults. An estimated twenty-one thousand
7 children in Hawaii currently under the age of eighteen will
8 ultimately die prematurely from smoking. Tobacco use poses a
9 heavy burden on Hawaii's health care system and economy. Each
10 year, smoking costs approximately \$526,000,000 in direct health
11 care expenditures and \$387,300,000 in lost productivity in the
12 State.

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



1 in protecting adolescents from tobacco dependence and the
2 illnesses and premature death associated with tobacco use.

3 The legislature additionally finds that the United States
4 Food and Drug Administration recently issued a proposed
5 regulation that would eventually bring all tobacco products,
6 including nicotine derived from tobacco and any product
7 containing tobacco, under its authority. An amendment to the
8 definition of "tobacco products" in chapter 245, Hawaii Revised
9 Statutes, is therefore needed to include nicotine derived from
10 tobacco within the definition of tobacco products.

11 The legislature also finds that taxes on tobacco products
12 should be similar to the tax rates already imposed on
13 cigarettes. Tobacco products other than cigarettes are
14 currently taxed at a lower rate than cigarettes, even though
15 their use carries similar health risks. Research has shown that
16 either a tax on cigarettes or cigarette price increases have the
17 propensity to reduce the rate of smoking by adult and youth
18 smokers. However, the legislature is concerned that as the
19 price of cigarettes increases, smokers may be tempted to
20 purchase less expensive tobacco products, including loose or
21 roll-your-own tobacco.



1 Finally, the legislature concludes that there should not be
2 a lower-priced tobacco alternative to cigarettes in Hawaii;
3 therefore a similar tax rate for cigarettes and tobacco products
4 that acts as a deterrent for all forms of tobacco use is needed.
5 Higher tobacco product prices will encourage tobacco users to
6 quit, sustain cessation, prevent youth initiation, and reduce
7 consumption among those who continue to use tobacco.

8 It is the legislature's intent for loose and roll-your-own
9 tobacco to be considered a tobacco product subject to the excise
10 tax under this part.

11 The purpose of this part is to:

- 12 (1) Amend the definition of "tobacco products", including
13 by expanding the definition to include any product
14 containing nicotine, but not containing tobacco;
- 15 (2) Impose an excise tax equal to per cent of the
16 wholesale price of any tobacco product, other than
17 large cigars, sold by a wholesaler or dealer on and
18 after January 1, 2016, 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; and



1 (3) Require moneys collected under the increased
2 excise tax rate to be deposited to the credit of the
3 Hawaii cancer research special fund.

4 SECTION 2. Section 245-1, Hawaii Revised Statutes, is
5 amended by amending the definition of "tobacco products" to read
6 as follows:

7 "Tobacco products" means [~~tobacco in any form, other than~~
8 ~~cigarettes or little cigars, that is prepared or intended for~~
9 ~~consumption or for personal use by humans, including large~~
10 ~~cigars and any substitutes thereof other than cigarettes that~~
11 ~~bear the semblance thereof, snuff, chewing or smokeless tobacco,~~
12 ~~and smoking or pipe tobacco.~~]:

13 (1) Any product made or derived from tobacco that contains
14 nicotine or other harmful substances and is intended
15 for human consumption or is likely to be consumed,
16 whether smoked, heated, chewed, absorbed, dissolved,
17 inhaled, or ingested by any other means, including but
18 not limited to a cigarette, cigar, pipe tobacco,
19 chewing tobacco, snuff, snus, or an electronic smoking
20 device; or



1 (2) Any product containing nicotine, but not containing
2 tobacco, that is intended for human consumption,
3 whether chewed, smoked, absorbed, dissolved, inhaled,
4 snorted, sniffed, or ingested by any other means.

5 "Tobacco products" does not include drugs, devices, or
6 combination products approved for sale by the United States Food
7 and Drug Administration, as the terms "drug" and "device" are
8 defined under title 21 United States Code section 321(g) (1) and
9 (h), respectively, and as the term "combination product" is
10 described under title 21 United States Code section 353(g)."

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

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

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



- 1 (2) An excise tax equal to 6.00 cents for each cigarette
2 sold, used, or possessed by a wholesaler or dealer
3 after September 30, 2002, 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 (3) An excise tax equal to 6.50 cents for each cigarette
7 sold, used, or possessed by a wholesaler or dealer
8 after June 30, 2003, 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 (4) An excise tax equal to 7.00 cents for each cigarette
12 sold, used, or possessed by a wholesaler or dealer
13 after June 30, 2004, 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 (5) An excise tax equal to 8.00 cents for each cigarette
17 sold, used, or possessed by a wholesaler or dealer on
18 and after September 30, 2006, 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 (6) An excise tax equal to 9.00 cents for each cigarette
2 sold, used, or possessed by a wholesaler or dealer on
3 and after September 30, 2007, 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 (7) An excise tax equal to 10.00 cents for each cigarette
7 sold, used, or possessed by a wholesaler or dealer on
8 and after September 30, 2008, 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 (8) An excise tax equal to 13.00 cents for each cigarette
12 sold, used, or possessed by a wholesaler or dealer on
13 and after July 1, 2009, 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 (9) An excise tax equal to 11.00 cents for each little
17 cigar sold, used, or possessed by a wholesaler or
18 dealer on and after October 1, 2009, whether or not
19 sold at wholesale, or if not sold then at the same
20 rate upon the use by the wholesaler or dealer;



- 1 (10) An excise tax equal to 15.00 cents for each cigarette
2 or little cigar sold, used, or possessed by a
3 wholesaler or dealer on and after July 1, 2010,
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 (11) An excise tax equal to 16.00 cents for each cigarette
8 or little cigar sold, used, or possessed by a
9 wholesaler or dealer on and after July 1, 2011,
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 (12) 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) An excise tax equal to _____ per cent of the
21 wholesale price of each article or item of tobacco



1 products, other than large cigars, sold by a
2 wholesaler or dealer on and after January 1, 2016,
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 ~~[(13)]~~ (14) An excise tax equal to fifty per cent of the
7 wholesale price of each large cigar of any length,
8 sold, used, or possessed by a wholesaler or dealer on
9 and after September 30, 2009, whether or not sold at
10 wholesale, or if not sold then at the same rate upon
11 the use by 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. Section 245-15, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§245-15 Disposition of revenues.** All moneys collected
21 pursuant to this chapter shall be paid into the state treasury



1 as state realizations to be kept and accounted for as provided
2 by law; provided that, of the moneys collected under the tax
3 imposed pursuant to:

4 (1) Section 245-3(a)(5), after September 30, 2006, and
5 prior to October 1, 2007, 1.0 cent per cigarette shall
6 be deposited to the credit of the Hawaii cancer
7 research special fund, established pursuant to section
8 304A-2168, for research and operating expenses and for
9 capital expenditures;

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

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

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

20 (C) 0.25 cents per cigarette shall be deposited to
21 the credit of the emergency medical services



1 special fund established pursuant to section 321-
2 234;

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

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

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

13 (C) 0.25 cents per cigarette shall be deposited to
14 the credit of the community health centers
15 special fund established pursuant to section 321-
16 1.65; and

17 (D) 0.25 cents per cigarette shall be deposited to
18 the credit of the emergency medical services
19 special fund established pursuant to section 321-
20 234;



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

3 (A) 2.0 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) 0.75 cents per cigarette shall be deposited to
9 the credit of the trauma system special fund
10 established pursuant to section 321-22.5;

11 (C) 0.75 cents per cigarette shall be deposited to
12 the credit of the community health centers
13 special fund established pursuant to section 321-
14 1.65; and

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

18 [~~and~~]

19 (5) Section 245-3(a)(11), after June 30, 2013, and
20 thereafter:



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

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

9 (C) 1.25 cents per cigarette shall be deposited to
10 the credit of the community health centers
11 special fund established pursuant to section 321-
12 1.65; and

13 (D) 1.25 cents per cigarette shall be deposited to
14 the credit of the emergency medical services
15 special fund established pursuant to section 321-
16 234 [-]; and

17 (6) Section 245-3(a)(13), on and after January 1, 2016,
18 and thereafter, _____ shall be deposited to the
19 credit of the Hawaii cancer research special fund,
20 established pursuant to section 304A-2168, for



- 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 seventy per cent of the
8 wholesale price of each article or item of tobacco
9 products, other than large cigars, sold by the
10 wholesaler or dealer on and after September 30, 2009,
11 whether or not sold at wholesale, or if not sold then
12 at the same rate upon the use by the wholesaler or
13 dealer; ~~and~~
- 14 (13) An excise tax equal to fifty per cent of the wholesale
15 price of each large cigar of any length, sold, used,
16 or possessed by a wholesaler or dealer on and after
17 September 30, 2009, whether or not sold at wholesale,
18 or if not sold then at the same rate upon the use by
19 the wholesaler or dealer ~~[-]~~; and
- 20 (14) An excise tax equal to the lesser of:
21 (A) _____ cents; or



Report Title:

Tobacco Products; Large Cigars; Excise Tax; Hawaii Cancer Research Special Fund

Description:

Amends the definition of "tobacco products", to include any product containing nicotine, but not containing tobacco. Imposes an excise tax equal to % of the wholesale price of any tobacco product, other than large cigars, sold by a wholesaler or dealer on and after 1/1/2016, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer. Requires an unspecified amount of the moneys collected under the increased excise tax rate to be deposited to the credit of the Hawaii cancer research special fund. Amends the excise tax rate on the sale of large cigars beginning on and after 1/1/2016 to the lesser of cents for each large cigar or % of the wholesale price of each large cigar. Effective 7/1/2050. (SD2)

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