

JAN 22 2016

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 leading cause of preventable death and disease in the United
3 States. Tobacco use continues to be a problem in Hawaii,
4 causing approximately 1,400 deaths per year among adults. An
5 estimated 21,000 children in Hawaii currently under the age of
6 eighteen will ultimately die prematurely from smoking. Tobacco
7 use poses a heavy burden on Hawaii's health care system and
8 economy. Each year, smoking costs approximately \$526,000,000 in
9 direct health care expenditures and \$387,300,000 in lost
10 productivity in the State.

11 The legislature further finds that tobacco products are
12 addictive and inherently dangerous. For example, the burning of
13 tobacco products produces a complex chemical mixture of more
14 than 7,000 compounds that cause a wide range of diseases,
15 including cancer, heart disease, and other serious illnesses,
16 and premature deaths. The 2014 Health Consequences of Smoking
17 report by the United States Surgeon General found that, since



1 the first 1964 Surgeon General's report on this topic, cigarette
2 smoking has been causally linked to diseases of nearly all
3 organs of the body, diminished health status, and harm to
4 fetuses. Furthermore, research continues to newly identify
5 diseases caused by smoking, including common diseases such as
6 diabetes mellitus, rheumatoid arthritis, and colorectal cancer.

7 The legislature additionally finds that numerous economic
8 studies in peer-reviewed journals have documented that a
9 cigarette tax or price increase reduces adult and youth smoking.
10 According to research obtained by the Coalition for Tobacco-Free
11 Kids, cigarette pack sales have gone down sharply in every state
12 that has significantly raised its cigarette tax rate.
13 Nationwide data also shows that overall sales of cigarette packs
14 decrease as state cigarette tax increases push up the average
15 national price of cigarettes.

16 The legislature concludes that Hawaii has a substantial
17 interest in reducing the number of individuals of all ages who
18 use cigarettes and a particular interest in protecting
19 adolescents from tobacco dependence and the illnesses and
20 premature death associated with smoking.

21 Accordingly, the purpose of this Act is to:



- 1 (1) Increase the excise tax on cigarettes and little
- 2 cigars sold on or after July 1, 2016, to twenty cents
- 3 per each cigarette or little cigar sold; and
- 4 (2) Allocate the increased taxes collected per cigarette
- 5 or little cigar to various funds, including \$0.01 to
- 6 the Hawaii cancer research special fund; \$0.01 to the
- 7 department of health chronic disease prevention and
- 8 health promotion division, for smoking cessation
- 9 programs and education in Hawaii; and \$0.02 to the
- 10 general fund.

11 SECTION 2. 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;



S.B. NO. 2690

- 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;



S.B. NO. 2690

- 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 20.00 cents for each cigarette
14 or little cigar sold, used, or possessed by a
15 wholesaler or dealer on and after July 1, 2016,
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 ~~[(12)]~~ (13) An excise tax equal to seventy per cent of the
20 wholesale price of each article or item of tobacco
21 products, other than large cigars, sold by the



1 wholesaler or dealer on and after September 30, 2009,
2 whether or not sold at wholesale, or if not sold then
3 at the same rate upon the use by the wholesaler or
4 dealer; and

5 [~~(13)~~] (14) An excise tax equal to fifty per cent of the
6 wholesale price of each large cigar of any length,
7 sold, used, or possessed by a wholesaler or dealer on
8 and after September 30, 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 Where the tax imposed has been paid on cigarettes, little
12 cigars, or tobacco products that thereafter become the subject
13 of a casualty loss deduction allowable under chapter 235, the
14 tax paid shall be refunded or credited to the account of the
15 wholesaler or dealer. The tax shall be applied to cigarettes
16 through the use of stamps."

17 SECTION 3. Section 245-15, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "§245-15 Disposition of revenues. All moneys collected
20 pursuant to this chapter shall be paid into the state treasury
21 as state realizations to be kept and accounted for as provided



1 by law; provided that, of the moneys collected under the tax
2 imposed pursuant to:

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

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

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

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



- 1 special fund established pursuant to section
2 321-234;
- 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
16 321-1.65; 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
20 321-234;



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
14 321-1.65; 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 (5) Section 245-3(a)(11), after June 30, 2013, and prior
19 to July 1, 2015:

20 (A) 2.0 cents per cigarette shall be deposited to the
21 credit of the Hawaii cancer research special



1 fund, established pursuant to section 304A-2168,
2 for research and operating expenses and for
3 capital expenditures;

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

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

11 (D) 1.25 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; [and]

15 (6) Section 245-3(a)(11), after June 30, 2015, and
16 [~~thereafter~~] prior to July 1, 2016:

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) 1.125 cents per cigarette, but not more than
2 \$7,400,000 in a fiscal year, shall be deposited
3 to the credit of the trauma system special fund
4 established pursuant to section 321-22.5;

5 (C) 1.25 cents per cigarette, but not more than
6 \$8,800,000 in a fiscal year, shall be deposited
7 to the credit of the community health centers
8 special fund established pursuant to section
9 321-1.65; and

10 (D) 1.25 cents per cigarette, but not more than
11 \$8,800,000 in a fiscal year, shall be deposited
12 to the credit of the emergency medical services
13 special fund established pursuant to section
14 321-234 [-]; and

15 (7) Section 245-3(a)(12), after July 1, 2016, and
16 thereafter:

17 (A) 3.0 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;



S.B. NO. 2690

- 1 (B) 1.125 cents per cigarette, but not more than
2 \$7,400,000 in a fiscal year, shall be deposited
3 to the credit of the trauma system special fund
4 established pursuant to section 321-22.5;
- 5 (C) 1.25 cents per cigarette, but not more than
6 \$8,800,000 in a fiscal year, shall be deposited
7 to the credit of the community health centers
8 special fund established pursuant to section
9 321-1.65;
- 10 (D) 1.25 cents per cigarette, but not more than
11 \$8,800,000 in a fiscal year, shall be deposited
12 to the credit of the emergency medical services
13 special fund established pursuant to section
14 321-234;
- 15 (E) 1.0 cents per cigarette shall be deposited to the
16 credit of the department of health chronic
17 disease prevention and health promotion division,
18 for smoking cessation programs and education in
19 Hawaii; and
- 20 (F) 2.0 cents per cigarette shall be deposited to the
21 credit of the general fund.



1 The department shall provide an annual accounting of these
2 dispositions to the legislature."

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

5 SECTION 5. This Act shall take effect on July 1, 2016.

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S.B. NO. 2690

Report Title:

Cigarette Tax and Tobacco Tax Law; Cigarettes; Little Cigars;
Taxes; Disposition of Revenue

Description:

Increases the excise tax on cigarettes and little cigars sold on or after July 1, 2016, to twenty cents per each cigarette or little cigar sold. Allocates the increased taxes collected per cigarette or little cigar to various funds, including \$0.01 to the Hawaii cancer research special fund; \$0.01 to the department of health chronic disease prevention and health promotion division, for smoking cessation programs and education in Hawaii; and \$0.02 to the general fund.

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

