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# A BILL FOR AN ACT

RELATING TO TOBACCO TAXES.

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

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

9           The legislature further finds that increasing the tax on  
10 cigarettes is the most effective way to reduce smoking and  
11 prevent young people from becoming daily smokers. It has been  
12 estimated that a ten per cent increase in the price of  
13 cigarettes reduces adult smoking by about two per cent, reduces  
14 smoking in young adults by about three and a half per cent,  
15 reduces the number of kids who smoke by six or seven per cent,  
16 and reduces overall cigarette consumption by approximately three  
17 to five per cent.



1           The purpose of this Act is to increase the cigarette and  
2 tobacco tax, and to allocate the resulting revenues to augment  
3 the supply of physicians, fund the Hawaii health systems  
4 corporation, and increase funding for community health centers.

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

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

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

15           (2) An excise tax equal to 6.00 cents for each cigarette  
16           sold, used, or possessed by a wholesaler or dealer  
17           after September 30, 2002, whether or not sold at  
18           wholesale, or if not sold then at the same rate upon  
19           the use by the wholesaler or dealer;

20           (3) An excise tax equal to 6.50 cents for each cigarette  
21           sold, used, or possessed by a wholesaler or dealer



- 1 after June 30, 2003, whether or not sold at wholesale,  
2 or if not sold then at the same rate upon the use by  
3 the wholesaler or dealer;
- 4 (4) An excise tax equal to 7.00 cents for each cigarette  
5 sold, used, or possessed by a wholesaler or dealer  
6 after June 30, 2004, whether or not sold at wholesale,  
7 or if not sold then at the same rate upon the use by  
8 the wholesaler or dealer;
- 9 (5) An excise tax equal to 8.00 cents for each cigarette  
10 sold, used, or possessed by a wholesaler or dealer on  
11 and after September 30, 2006, whether or not sold at  
12 wholesale, or if not sold then at the same rate upon  
13 the use by the wholesaler or dealer;
- 14 (6) An excise tax equal to 9.00 cents for each cigarette  
15 sold, used, or possessed by a wholesaler or dealer on  
16 and after September 30, 2007, whether or not sold at  
17 wholesale, or if not sold then at the same rate upon  
18 the use by the wholesaler or dealer;
- 19 (7) An excise tax equal to 10.00 cents for each cigarette  
20 sold, used, or possessed by a wholesaler or dealer on  
21 and after September 30, 2008, 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           (8) An excise tax equal to 13.00 cents for each cigarette  
4           sold, used, or possessed by a wholesaler or dealer on  
5           and after July 1, 2009, whether or not sold at  
6           wholesale, or if not sold then at the same rate upon  
7           the use by the wholesaler or dealer;
- 8           (9) An excise tax equal to 11.00 cents for each little  
9           cigar sold, used, or possessed by a wholesaler or  
10          dealer on and after October 1, 2009, whether or not  
11          sold at wholesale, or if not sold then at the same  
12          rate upon the use by the wholesaler or dealer;
- 13          (10) An excise tax equal to 15.00 cents for each cigarette  
14          or little cigar sold, used, or possessed by a  
15          wholesaler or dealer on and after July 1, 2010,  
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          (11) An excise tax equal to 16.00 cents for each cigarette  
20          or little cigar sold, used, or possessed by a  
21          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 21.00 cents for each cigarette  
5           or little cigar sold, used, or possessed by a  
6           wholesaler or dealer on and after July 1, 2020,  
7           whether or not sold at wholesale, or if not sold then  
8           at the same rate upon the use by the wholesaler or  
9           dealer;

10          ~~[(12)]~~ (13) An excise tax equal to seventy per cent of the  
11           wholesale price of each article or item of tobacco  
12           products, other than large cigars, sold by the  
13           wholesaler or dealer on and after September 30, 2009,  
14           whether or not sold at wholesale, or if not sold then  
15           at the same rate upon the use by the wholesaler or  
16           dealer; and

17          ~~[(13)]~~ (14) An excise tax equal to fifty per cent of the  
18           wholesale price of each large cigar of any length,  
19           sold, used, or possessed by a wholesaler or dealer on  
20           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 (5) Section 245-3(a)(11), after June 30, 2013, and prior
- 9 to July 1, 2015:
- 10 (A) 2.0 cents per cigarette shall be deposited to the
- 11 credit of the Hawaii cancer research special
- 12 fund, established pursuant to section 304A-2168,
- 13 for research and operating expenses and for
- 14 capital expenditures;
- 15 (B) 1.5 cents per cigarette shall be deposited to the
- 16 credit of the trauma system special fund
- 17 established pursuant to section 321-22.5;
- 18 (C) 1.25 cents per cigarette shall be deposited to
- 19 the credit of the community health centers
- 20 special fund established pursuant to section
- 21 321-1.65; 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)(11), after June 30, 2015, and  
6 [~~thereafter~~] prior to July 1, 2020:

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

12 (B) 1.125 cents per cigarette, but not more than  
13 \$7,400,000 in a fiscal year, shall be deposited  
14 to the credit of the trauma system special fund  
15 established pursuant to section 321-22.5;

16 (C) 1.25 cents per cigarette, but not more than  
17 \$8,800,000 in a fiscal year, shall be deposited  
18 to the credit of the community health centers  
19 special fund established pursuant to section  
20 321-1.65; and



1 (D) 1.25 cents per cigarette, but not more than  
2 \$8,800,000 in a fiscal year, shall be deposited  
3 to the credit of the emergency medical services  
4 special fund established pursuant to section  
5 321-234[-]; and

6 (7) Section 245-3(a)(12), on July 1, 2020, and thereafter:

7 (A) 3.0 cents per cigarette shall be deposited to the  
8 credit of the Hawaii cancer research special  
9 fund, established pursuant to section 304A-2168,  
10 for research and operating expenses and for  
11 capital expenditures;

12 (B) 1.125 cents per cigarette, but not more than  
13 \$7,400,000 in a fiscal year, shall be deposited  
14 to the credit of the trauma system special fund  
15 established pursuant to section 321-22.5;

16 (C) 2.92 cents per cigarette, but not more than  
17 \$8,800,000 in a fiscal year, shall be deposited  
18 to the credit of the community health centers  
19 special fund established pursuant to section  
20 321-1.65;



1           (D) 1.25 cents per cigarette, but not more than  
2           \$8,800,000 in a fiscal year, shall be deposited  
3           to the credit of the emergency medical services  
4           special fund established pursuant to section  
5           321-234;

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

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

17   The department shall provide an annual accounting of these  
18   dispositions to the legislature."

19           SECTION 4. Section 321-1.65, Hawaii Revised Statutes, is  
20   amended by amending subsection (c) to read as follows:

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

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

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

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



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

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

- 6           (1) Insurance deductibles;
- 7           (2) The improvement, replacement, or expansion of their  
8           facilities or services;
- 9           (3) The securing of the corporation's or regional system  
10           boards' bonds, notes, or other instruments of  
11           indebtedness; or
- 12           (4) Any other purpose the corporation or the regional  
13           system boards deem necessary or appropriate in the  
14           performance of their purposes and responsibilities."

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

17           SECTION 7. This Act shall take effect on July 1, 2050;  
18 provided that sections 2 and 3 of this Act shall take effect on  
19 July 1, 2051.



**Report Title:**

Cigarette and Tobacco Tax; Increase; Health Care

**Description:**

Increases the cigarette and tobacco tax on cigarettes and little cigars by five cents beginning July 1, 2020. Allocates excise tax revenue generated at the increased rate to specified health improvement purposes beginning July 1, 2020. Effective 7/1/2050. (SD2)

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

