

JAN 21 2021

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.



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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



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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



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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, 2021,
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;

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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 321-
14 234;

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;



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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 321-
7 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 321-
11 234;

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;



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- 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 321-
4 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 321-
21 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 321-
4 234; and

5 (6) Section 245-3(a)(11), after June 30, 2015, and
6 [~~thereafter~~] prior to July 1, 2021:

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 321-
20 1.65; and



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- 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 321-
5 234 [-]; and
- 6 (7) Section 245-3(a)(12), on July 1, 2021, 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.



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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, 2021.

18

INTRODUCED BY: _____



S.B. NO. **138**

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, 2021. Allocates excise tax revenue generated at the increased rate to specified health improvement purposes beginning July 1, 2021.

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

