
A BILL FOR AN ACT

RELATING TO FUNDING FOR THE TOBACCO ENFORCEMENT SPECIAL FUND.

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

1 SECTION 1. The legislature finds that the tobacco
2 enforcement special fund supports the tobacco enforcement unit
3 within the department of the attorney general to administer,
4 monitor, and enforce the tobacco master settlement agreement and
5 related state laws. The tobacco enforcement unit is also tasked
6 with enforcing the State's cigarette tax stamp program.

7 The legislature further finds that current law mandates
8 that moneys in excess of \$500,000 remaining in the tobacco
9 enforcement special fund at the close of each fiscal year lapse
10 to the credit of the state general fund. Under section 245-
11 26(a)(2), Hawaii Revised Statutes, a percentage of the cigarette
12 tax stamp fee is transferred into the tobacco enforcement
13 special fund. Section 328L-2, Hawaii Revised Statutes, also
14 mandates that of all tobacco settlement moneys received by the
15 State in each fiscal year, the first \$350,000 be deposited in
16 the state treasury to the credit of the tobacco enforcement
17 special fund.



1 The legislature also finds that the amount of cigarette tax
2 stamp revenues deposited into the tobacco enforcement special
3 fund has noticeably decreased in recent years. This trend is
4 expected to continue. To maintain the tobacco enforcement
5 unit's diligent enforcement efforts and to minimize the risk of
6 losing the master settlement agreement annual payments, it is
7 critical that the unit receive adequate and continuous funding.

8 The purpose of this Act is to:

9 (1) Require the imposition of a stamp fee floor inventory
10 tax on the stock inventory of stamps held by licensees
11 any time the stamp fee is increased under the
12 cigarette and tobacco tax laws prior to the increased
13 stamp fee being assessed and levied; and

14 (2) Stabilize and increase funding for the tobacco
15 enforcement unit within the department of the attorney
16 general by increasing:

17 (A) The amount that the tobacco enforcement special
18 fund can carry over at the end of each fiscal
19 year;



1 (B) The cigarette tax stamp fee and the percentage of
2 that fee allotted to the tobacco enforcement
3 special fund; and

4 (C) The amount received from the tobacco settlement
5 that is deposited to the credit of the tobacco
6 enforcement special fund.

7 SECTION 2. Chapter 245, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 "§245- Stamp fee floor inventory tax. Whenever the
11 stamp fee imposed by this chapter is increased, a stamp fee
12 floor inventory tax shall be imposed on the stock inventory of
13 stamps held by licensees from the effective date of the Act
14 establishing the stamp fee increase until the increased stamp
15 fee is to be assessed and levied. The stamp fee floor inventory
16 tax shall be . cents per stamp and be shall paid and reported
17 on a form prescribed by the department by December 1 of the year
18 before the stamp fee increase is scheduled to take effect."

19 SECTION 3. Section 28-15, Hawaii Revised Statutes, is
20 amended by amending subsection (c) to read as follows:



1 "(c) All unencumbered and unexpended moneys in excess of
2 [~~\$500,000~~] \$ _____ remaining on balance in the tobacco
3 enforcement special fund at the close of June 30 of each year
4 shall lapse to the credit of the state general fund."

5 SECTION 4. Section 245-26, Hawaii Revised Statutes, is
6 amended by amending subsection (a) to read as follows:

7 "(a) Stamps shall be sold at their denominated values,
8 plus a stamp fee of [~~1.7~~] _____ per cent of the denominated value
9 of each stamp sold, composed of the aggregate of:

10 (1) .2 per cent of the denominated value of the stamp to
11 pay for the cost to the State of providing the stamps,
12 with that amount to be deposited to the credit of the
13 department of taxation's cigarette tax stamp
14 administrative special fund; and

15 (2) [~~1.5~~] _____ per cent of the denominated value of the
16 stamp to pay for the cost of enforcing the stamp tax,
17 with that amount to be deposited to the credit of the
18 department of the attorney general's tobacco
19 enforcement special fund;



1 provided that the department by rule may modify the stamp fee to
2 reflect actual costs incurred by the State in providing the
3 stamps."

4 SECTION 5. Section 328L-2, Hawaii Revised Statutes, is
5 amended by amending subsection (a) to read as follows:

6 "(a) There is established in the state treasury the Hawaii
7 tobacco settlement special fund into which shall be deposited:

8 (1) All tobacco settlement moneys; and

9 (2) All interest and earnings accruing from the investment
10 of moneys in the fund;

11 provided that of all tobacco settlement moneys received by the
12 State each fiscal year, the sum representing the first
13 [~~\$350,000~~] \$ _____ of those moneys shall first be deposited
14 in the state treasury in each fiscal year to the credit of the
15 tobacco enforcement special fund. The Hawaii tobacco settlement
16 special fund shall be administered by the department."

17 SECTION 6. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 7. This Act shall take effect on July 1, 3000.



Report Title:

Cigarette Tax Stamp Fees; Stamp Fee Floor Inventory Tax; Tobacco Enforcement Special Fund; Hawaii Tobacco Settlement Special Fund

Description:

Establishes a stamp fee floor inventory tax on the stock inventory of stamps held by licensees before any increase in the stamp fee under the cigarette and tobacco tax laws is assessed and levied. Amends the ceiling for the Tobacco Enforcement Special Fund. Amends the cigarette tax stamp fee and the percentage of the cigarette tax stamp fee deposited to the Tobacco Enforcement Special Fund. Amends the amount to be deposited to the credit of the Tobacco Enforcement Special Fund from tobacco settlement moneys. Effective 7/1/3000. (HD2)

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