
A BILL FOR AN ACT

RELATING TO CIGARETTE TAXES.

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

1 SECTION 1. The legislature finds that since the inception
2 of the cigarette tax in the State, cigarette tax revenue has
3 funded vital health care services in the State, including cancer
4 research and prevention, the State's trauma system, community
5 health centers, and emergency medical services. Before 2006,
6 all cigarette tax revenue was directed to the State's general
7 fund, indirectly supporting health initiatives. However, with
8 the passage of Act 316, Session Laws of Hawaii 2006, which
9 included an increase in the cigarette tax, the legislature
10 formally recognized the importance of allocating increased
11 amounts of cigarette tax revenues to programs that strive to
12 maintain public health in the State, such as the cancer research
13 center of Hawaii, the State's emergency medical services,
14 critically needed trauma centers, and community health centers.
15 The legislature believes these programs are the most appropriate
16 and effective use of cigarette tax revenues to help the greatest
17 number of people in the State.



1 The legislature further finds that financial support for
2 research into the causes and treatment of cancer is especially
3 critical now that cancer diagnoses in the United States for 2024
4 are expected to surpass two million for the first time in
5 history. In the State, an average of 7,393 local residents are
6 diagnosed with invasive cancer, leading to 2,393 deaths each
7 year. Nearly forty per cent of today's adult population will
8 experience cancer in their lifetimes. The cancer research
9 center of Hawaii, also known as the university of Hawaii cancer
10 center, is one of only seventy-two National Cancer Institute
11 (NCI)-designated cancer centers in the United States. A
12 NCI-designation is a mark of excellence, requiring the cancer
13 research center of Hawaii to meet rigorous standards for
14 transdisciplinary, state-of-the-art research focused on
15 developing new and better approaches to preventing, diagnosing,
16 and treating cancer. Furthermore, the cancer research center of
17 Hawaii is also the only NCI-designated cancer center serving the
18 State and the Pacific. It is the only cancer center studying
19 cancer causes and treatments in the diverse ethnic groups found
20 in Hawaii and the Pacific, such as Native Hawaiians and Pacific
21 Islanders.



1 The legislature additionally finds that a portion of the
2 cigarette tax revenue currently allocated to the Hawaii cancer
3 research special fund is specifically pledged towards revenue
4 bonds sold to construct the cancer center in 2010, conduct
5 cancer research, and fund its operations. Due to successful
6 public education, strong anti-smoking policies, and increased
7 costs to cigarettes, the decline in smoking rates is a public
8 health victory. However, paradoxically, this decline in smoking
9 has resulted in a decrease of over fifty per cent in cigarette
10 tax revenues to the Hawaii cancer research special fund. This
11 decline jeopardizes the revenue stream for debt service for the
12 revenue bonds and diminishes the availability of resources for
13 the cancer research center of Hawaii to deliver cutting-edge
14 cancer treatments to the State's cancer patients.

15 Accordingly, the purpose of this Act is to ensure the
16 payment for debt service for the revenue bonds and the continued
17 availability of resources for the cancer research center of
18 Hawaii's research and operations by:

19 (1) Increasing the cigarette tax from sixteen cents to
20 eighteen cents; and



1 (2) Amending the disposition of cigarette tax revenues by
2 allocating the increase in the cigarette tax amount to
3 the Hawaii cancer research special fund.

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

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

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

14 (2) 6.00 cents for each cigarette sold, used, or possessed
15 by a wholesaler or dealer after September 30, 2002,
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 (3) 6.50 cents for each cigarette sold, used, or possessed
20 by a wholesaler or dealer after June 30, 2003, whether



1 or not sold at wholesale, or if not sold, then at the
2 same rate upon the use by the wholesaler or dealer;
3 (4) 7.00 cents for each cigarette sold, used, or possessed
4 by a wholesaler or dealer after June 30, 2004, whether
5 or not sold at wholesale, or if not sold, then at the
6 same rate upon the use by the wholesaler or dealer;
7 (5) 8.00 cents for each cigarette sold, used, or possessed
8 by a wholesaler or dealer on and after September 30,
9 2006, whether or not sold at wholesale, or if not
10 sold, then at the same rate upon the use by the
11 wholesaler or dealer;
12 (6) 9.00 cents for each cigarette sold, used, or possessed
13 by a wholesaler or dealer on and after September 30,
14 2007, whether or not sold at wholesale, or if not
15 sold, then at the same rate upon the use by the
16 wholesaler or dealer;
17 (7) 10.00 cents for each cigarette sold, used, or
18 possessed by a wholesaler or dealer on and after
19 September 30, 2008, whether or not sold at wholesale,
20 or if not sold, then at the same rate upon the use by
21 the wholesaler or dealer;



- 1 (8) 13.00 cents for each cigarette sold, used, or
2 possessed by a wholesaler or dealer on and after
3 July 1, 2009, whether or not sold at wholesale, or if
4 not sold, then at the same rate upon the use by the
5 wholesaler or dealer;
- 6 (9) 11.00 cents for each little cigar sold, used, or
7 possessed by a wholesaler or dealer on and after
8 October 1, 2009, whether or not sold at wholesale, or
9 if not sold, then at the same rate upon the use by the
10 wholesaler or dealer;
- 11 (10) 15.00 cents for each cigarette or little cigar sold,
12 used, or possessed by a wholesaler or dealer on and
13 after July 1, 2010, 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 (11) 16.00 cents for each cigarette or little cigar sold,
17 used, or possessed by a wholesaler or dealer on and
18 after July 1, 2011, 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 (12) 18.00 cents for each cigarette or little cigar sold,
2 used, or possessed by a wholesaler or dealer on and
3 after January 1, 2026, 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 [~~+12+~~] (13) Seventy per cent of the wholesale price of each
7 article or item of tobacco products, other than large
8 cigars, electronic smoking devices, and e-liquids,
9 sold by the wholesaler or dealer on and after
10 September 30, 2009, whether or not sold at wholesale,
11 or if not sold, then at the same rate upon the use by
12 the wholesaler or dealer;

13 [~~+13+~~] (14) Fifty per cent of the wholesale price of each
14 large cigar of any length sold, used, or possessed by
15 a wholesaler or dealer on and after September 30,
16 2009, whether or not sold at wholesale, or if not
17 sold, then at the same rate upon the use by the
18 wholesaler or dealer; and

19 [~~+14+~~] (15) Seventy per cent of the wholesale price of each
20 electronic smoking device or e-liquid sold, used, or
21 possessed by a wholesaler or dealer on and after



1 January 1, 2024, whether or not sold at wholesale, or
2 if not sold, then at the same rate upon the use by the
3 wholesaler or dealer.

4 Where the tax imposed has been paid on cigarettes, little
5 cigars, or tobacco products that thereafter become the subject
6 of a casualty loss deduction allowable under chapter 235, the
7 tax paid shall be refunded or credited to the account of the
8 wholesaler or dealer. The tax shall be applied to cigarettes
9 through the use of stamps."

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

12 "**§245-15 Disposition of revenues.** All moneys collected
13 pursuant to this chapter shall be paid into the state treasury
14 as state realizations to be kept and accounted for as provided
15 by law; provided that, of the moneys collected under the tax
16 imposed pursuant to:

17 (1) Section 245-3(a)(5), after September 30, 2006, and
18 prior to October 1, 2007, 1.0 cent per cigarette shall
19 be deposited to the credit of the Hawaii cancer
20 research special fund, established pursuant to



1 section 304A-2168, for research and operating expenses
2 and for capital expenditures;

3 (2) Section 245-3(a)(6), after September 30, 2007, and
4 [~~prior to~~] before October 1, 2008:

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

13 (C) 0.25 cents per cigarette shall be deposited to
14 the credit of the emergency medical services
15 special fund established pursuant to
16 section 321-234;

17 (3) Section 245-3(a)(7), after September 30, 2008, and
18 [~~prior to~~] before July 1, 2009:

19 (A) 2.0 cents per cigarette shall be deposited to the
20 credit of the Hawaii cancer research special
21 fund, established pursuant to section 304A-2168,



1 for research and operating expenses and for
2 capital expenditures;

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

6 (C) 0.25 cents per cigarette shall be deposited to
7 the credit of the community health centers
8 special fund established pursuant to
9 section 321-1.65; and

10 (D) 0.25 cents per cigarette shall be deposited to
11 the credit of the emergency medical services
12 special fund established pursuant to
13 section 321-234;

14 (4) Section 245-3(a)(8), after June 30, 2009, and [~~prior~~
15 ~~to~~] before July 1, 2013:

16 (A) 2.0 cents per cigarette shall be deposited to the
17 credit of the Hawaii cancer research special
18 fund, established pursuant to section 304A-2168,
19 for research and operating expenses and for
20 capital expenditures;



- 1 (B) 0.75 cents per cigarette shall be deposited to
2 the credit of the trauma system special fund
3 established pursuant to section 321-22.5;
- 4 (C) 0.75 cents per cigarette shall be deposited to
5 the credit of the community health centers
6 special fund established pursuant to
7 section 321-1.65; and
- 8 (D) 0.5 cents per cigarette shall be deposited to the
9 credit of the emergency medical services special
10 fund established pursuant to section 321-234;
- 11 (5) Section 245-3(a)(11), after June 30, 2013, and [~~prior~~
12 ~~to~~] before July 1, 2015:
- 13 (A) 2.0 cents per cigarette shall be deposited to the
14 credit of the Hawaii cancer research special
15 fund, established pursuant to section 304A-2168,
16 for research and operating expenses and for
17 capital expenditures;
- 18 (B) 1.5 cents per cigarette shall be deposited to the
19 credit of the trauma system special fund
20 established pursuant to section 321-22.5;



- 1 (C) 1.25 cents per cigarette shall be deposited to
2 the credit of the community health centers
3 special fund established pursuant to
4 section 321-1.65; and
- 5 (D) 1.25 cents per cigarette shall be deposited to
6 the credit of the emergency medical services
7 special fund established pursuant to
8 section 321-234; ~~and~~
- 9 (6) Section 245-3(a)(11), after June 30, 2015, and
10 ~~[thereafter:]~~ before January 1, 2026:
- 11 (A) 2.0 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) 1.125 cents per cigarette, but not more than
17 \$7,400,000 in a fiscal year, shall be deposited
18 to the credit of the trauma system special fund
19 established pursuant to section 321-22.5;
- 20 (C) 1.25 cents per cigarette, but not more than
21 \$8,800,000 in a fiscal year, shall be deposited



1 to the credit of the community health centers
2 special fund established pursuant to
3 section 321-1.65; and
4 (D) 1.25 cents per cigarette, but not more than
5 \$8,800,000 in a fiscal year, shall be deposited
6 to the credit of the emergency medical services
7 special fund established pursuant to
8 section 321-234[~~+~~]; and
9 (7) Section 245-3(a)(12), after December 31, 2025, and
10 thereafter:
11 (A) 4.0 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; provided that, until
16 June 30, 2041, of each amount deposited under
17 this paragraph to the credit of the Hawaii cancer
18 research special fund, 4.0 cents per cigarette
19 shall be used exclusively for debt service of
20 capital expenditures and building maintenance;



- 1 (B) 1.125 cents per cigarette, but no 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 no 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
9 section 321-1.65; and
- 10 (D) 1.25 cents per cigarette, but no 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
14 section 321-234.

15 The department shall provide an annual accounting of these
16 dispositions to the legislature."

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

19 SECTION 5. This Act shall take effect on December 31,
20 2050.



H.B. NO. 441
H.D. 2
S.D. 2

Report Title:

Cigarette Tax; Hawaii Cancer Research Special Fund; Tax Increase; Revenue; Disposition; Debt Reduction

Description:

Beginning 1/1/2026, increases the cigarette tax from 16 cents to 18 cents and amends the disposition of cigarette tax revenues by allocating the increase in the cigarette tax amount to the Hawaii cancer research special fund for debt service of capital expenditures and building maintenance. Effective 12/31/2050.
(SD2)

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