

JAN 23 2025

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Section 245-3, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

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

7 ~~[(1) 5.00 cents for each cigarette sold, used, or possessed
8 by a wholesaler or dealer after June 30, 1998, whether
9 or not sold at wholesale, or if not sold, then at the
10 same rate upon the use by the wholesaler or dealer;~~

11 ~~-(2) 6.00 cents for each cigarette sold, used, or possessed
12 by a wholesaler or dealer after September 30, 2002,
13 whether or not sold at wholesale, or if not sold, then
14 at the same rate upon the use by the wholesaler or
15 dealer;~~

16 ~~-(3) 6.50 cents for each cigarette sold, used, or possessed
17 by a wholesaler or dealer after June 30, 2003, whether~~

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- 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;~~

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- 1 ~~(8)~~ ~~13.00 cents for each cigarette sold, used, or~~
2 ~~possessed by a wholesaler or dealer on and after July~~
3 ~~1, 2009, whether or not sold at wholesale, or if not~~
4 ~~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)]~~ (1) 16.00 cents for each cigarette or little cigar
17 sold, used, or possessed by a wholesaler or dealer on
18 and after July 1, 2011, 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;
- 21 (2) 21.00 cents for each cigarette or little cigar sold,
22 used, or possessed by a wholesaler or dealer on and

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1 after January 1, 2026, whether or not sold at
2 wholesale, or if not sold, then at the same rate upon
3 the use by the wholesaler or dealer;

4 ~~[(12)]~~ (3) Seventy per cent of the wholesale price of each
5 article or item of tobacco products, other than large
6 cigars, electronic smoking devices, and e-liquids,
7 sold by the wholesaler or dealer on and after
8 September 30, 2009, 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 ~~[(13)]~~ (4) Fifty per cent of the wholesale price of each
12 large cigar of any length sold, used, or possessed by
13 a wholesaler or dealer on and after September 30,
14 2009, 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; and

17 ~~[(14)]~~ (5) Seventy per cent of the wholesale price of each
18 electronic smoking device or e-liquid sold, used, or
19 possessed by a wholesaler or dealer on and after
20 January 1, 2024, whether or not sold at wholesale, or
21 if not sold, then at the same rate upon the use by the
22 wholesaler or dealer.

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

7 SECTION 2. Section 245-15, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "§245-15 **Disposition of revenues.** All moneys collected
10 pursuant to this chapter shall be paid into the state treasury
11 as state realizations to be kept and accounted for as provided
12 by law; provided that, of the moneys collected [~~under the tax~~
13 ~~imposed pursuant to:~~] each fiscal year:

14 [~~(1) Section 245-3(a)(5), after September 30, 2006, and~~
15 ~~prior to October 1, 2007, 1.0 cent per cigarette shall~~
16 ~~be deposited to the credit of the Hawaii cancer~~
17 ~~research special fund, established pursuant to section~~
18 ~~304A-2168, for research and operating expenses and for~~
19 ~~capital expenditures;~~

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

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- 1 ~~(A) 1.5 cents per cigarette shall be deposited to the~~
2 ~~credit of the Hawaii cancer research special~~
3 ~~fund, established pursuant to section 304A-2168,~~
4 ~~for research and operating expenses and for~~
5 ~~capital expenditures;~~
- 6 ~~(B) 0.25 cents per cigarette shall be deposited to~~
7 ~~the credit of the trauma system special fund~~
8 ~~established pursuant to section 321-22.5; and~~
- 9 ~~(C) 0.25 cents per cigarette shall be deposited to~~
10 ~~the credit of the emergency medical services~~
11 ~~special fund established pursuant to section 321-~~
12 ~~234;~~
- 13 ~~(3) Section 245-3(a)(7), after September 30, 2008, and~~
14 ~~prior to July 1, 2009:~~
- 15 ~~(A) 2.0 cents per cigarette shall be deposited to the~~
16 ~~credit of the Hawaii cancer research special~~
17 ~~fund, established pursuant to section 304A-2168,~~
18 ~~for research and operating expenses and for~~
19 ~~capital expenditures;~~
- 20 ~~(B) 0.5 cents per cigarette shall be deposited to the~~
21 ~~credit of the trauma system special fund~~
22 ~~established pursuant to section 321-22.5;~~

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1 ~~(C) 0.25 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) 0.25 cents per cigarette shall be deposited to~~
6 ~~the credit of the emergency medical services~~
7 ~~special fund established pursuant to section 321-~~
8 ~~234;~~

9 ~~(4) Section 245-3(a)(8), after June 30, 2009, and prior to~~
10 ~~July 1, 2013:~~

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) 0.75 cents per cigarette shall be deposited to~~
17 ~~the credit of the trauma system special fund~~
18 ~~established pursuant to section 321-22.5;~~

19 ~~(C) 0.75 cents per cigarette shall be deposited to~~
20 ~~the credit of the community health centers~~
21 ~~special fund established pursuant to section 321-~~
22 ~~1.65; and~~

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- 1 ~~(D) 0.5 cents per cigarette shall be deposited to the~~
2 ~~credit of the emergency medical services special~~
3 ~~fund established pursuant to section 321-234;~~
- 4 ~~(5) Section 245-3(a)(11), after June 30, 2013, and prior~~
5 ~~to July 1, 2015;~~
- 6 ~~(A) 2.0 cents per cigarette shall be deposited to the~~
7 ~~credit of the Hawaii cancer research special~~
8 ~~fund, established pursuant to section 304A-2168,~~
9 ~~for research and operating expenses and for~~
10 ~~capital expenditures;~~
- 11 ~~(B) 1.5 cents per cigarette shall be deposited to the~~
12 ~~credit of the trauma system special fund~~
13 ~~established pursuant to section 321-22.5;~~
- 14 ~~(C) 1.25 cents per cigarette shall be deposited to~~
15 ~~the credit of the community health centers~~
16 ~~special fund established pursuant to section 321-~~
17 ~~1.65; and~~
- 18 ~~(D) 1.25 cents per cigarette shall be deposited to~~
19 ~~the credit of the emergency medical services~~
20 ~~special fund established pursuant to section 321-~~
21 ~~234; and~~

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- 1 ~~(6) Section 245-3(a)(11), after June 30, 2015, and~~
2 ~~thereafter:~~
- 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) 1.125 cents per cigarette, but not more than~~
9 ~~\$7,400,000 in a fiscal year, shall be deposited~~
10 ~~to the credit of the trauma system special fund~~
11 ~~established pursuant to section 321-22.5;~~
- 12 ~~(C) 1.25 cents per cigarette, but not more than~~
13 ~~\$8,800,000 in a fiscal year, shall be deposited~~
14 ~~to the credit of the community health centers~~
15 ~~special fund established pursuant to section 321-~~
16 ~~1.65; and~~
- 17 ~~(D) 1.25 cents per cigarette, but not more than~~
18 ~~\$8,800,000 in a fiscal year, shall be deposited~~
19 ~~to the credit of the emergency medical services~~
20 ~~special fund established pursuant to section 321-~~
21 ~~234.]~~

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1 (1) Beginning July 1, 2025, twenty-five per cent or
2 \$14,080,000, whichever is less, shall be deposited to
3 the credit of the Hawaii cancer research special fund,
4 established pursuant to section 304A-2168, for
5 research and operating expenses and for capital
6 expenditures;

7 (2) Beginning July 1, 2025, twenty-five per cent or
8 \$7,400,000, whichever is less, shall be deposited to
9 the credit of the trauma system special fund
10 established pursuant to section 321-22.5;

11 (3) Beginning July 1, 2025, twenty-five per cent or
12 \$8,800,000, whichever is less, shall be deposited to
13 the credit of the community health centers special
14 fund established pursuant to section 321-1.65; and

15 (4) Beginning July 1, 2025, twenty-five per cent or
16 \$8,800,000, whichever is less, shall be deposited to
17 the credit of the emergency medical services special
18 fund established pursuant to section 321-234.

19 The department shall provide an annual accounting of these
20 dispositions to the legislature."

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

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1 SECTION 4. This Act shall take effect on July 1, 2025.

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INTRODUCED BY: 

4

BY REQUEST

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Report Title:

Cigarette Tax; Tobacco Tax; Disposition of Revenues

Description:

Increases the tax rates for cigarettes and little cigars beginning 1/1/2026, amends the disposition of tax revenues to certain non-general funds starting from fiscal year 2026-2027, with the excess carrying over to the general fund, and expands the tax disposition of tax revenues to the funds to include all tobacco product taxes. Repeals obsolete historical tax rates.

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

JUSTIFICATION SHEET

DEPARTMENT: Office of the Governor

TITLE: A BILL FOR AN ACT RELATING TO TAXATION.

PURPOSE: To increase the cigarette tax, expand the tax disposition of revenues into certain non-general funds from only cigarette taxes to all tobacco product taxes, and delete obsolete or unnecessary provisions.

MEANS: Amend sections 245-3(a) and 245-15, Hawaii Revised Statutes.

JUSTIFICATION: According to the United States Surgeon General, increasing the price of tobacco products is the single most effective way to reduce consumption. A ten percent increase in price has been estimated to reduce overall cigarette consumption by up to five percent. Research also suggests that both youth and young adults are two to three times more likely to respond to increases in price than adults.

Cigarette smoking also takes a financial toll on the State. \$611 million is the estimated health care costs directly caused by smoking in Hawaii annually. Smoking-caused government expenditures result in a tax burden of \$983 per household and \$1.1 billion in lost productivity in Hawaii annually.

The World Health Organization recommends that tobacco taxes should be raised significantly and at regular intervals to ensure that tobacco products do not become more affordable. The last cigarette tax increase in Hawaii was fourteen years ago in 2011, and there was an observed decrease in high school cigarette use from years prior, which continued steadily thereafter.

Since its inception, cigarette tax revenue has been used to support vital health care services in the State, including cancer research and prevention, the State Trauma System, community

health centers, and emergency medical services. In Act 316, Session Laws of Hawaii 2006, the Legislature found that "allocating a significant percentage of tobacco tax revenues to programs that strive to maintain Hawaii's health such as the cancer research center of Hawaii, Hawaii's emergency medical services, critically needed trauma centers, and the community health centers are the most appropriate and effective use of such revenues to help the greatest number of people in our island-state."

In recent years, cigarette tax revenue has declined, resulting in a decrease of over fifty percent in revenues to the Hawaii Cancer Research Special Fund, Trauma System Special Fund, Community Health Centers Special Fund, and Emergency Medical Services Special Fund.

A portion of the cigarette tax revenue currently deposited into the Hawaii Cancer Research Special Fund supports cancer research and the Cancer Research Center of Hawaii's operations and capital expenditures including revenue bonds that were sold to construct the cancer center in 2010. This decline in cigarette tax revenue jeopardizes the revenue stream for debt service for the revenue bonds.

The decline in cigarette tax revenue also impacts on the availability of resources for emergency medical services, trauma centers, and community health centers.

Currently, only these declining cigarette tax revenues are allocated to these programs, and not tax revenues from e-cigarettes, e-liquids, cigars, and other tobacco products. This bill would also expand the allocation of revenues collected from all tobacco products, rather than only cigarette tax revenues.

Impact on the public: Increased costs for cigarette users will lead to further decreases in tobacco use in Hawaii, leading to broader public health benefits.

Additionally, consistent and sustained funding for the University of Hawaii Cancer Center, State Trauma System, community health centers, and emergency medical services will have significant benefits for the general public.

Impact on the department and other agencies: The increased revenue to the Hawaii Cancer Research Special Fund, Trauma System Special Fund, Community Health Centers Special Fund, and Emergency Medical Services Special Fund will reverse the recent trend of declining revenues.

GENERAL FUND: Impact on general funds depends on continued purchase of cigarettes.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: UOH 115, HTH 730, and HTH 560.

OTHER AFFECTED AGENCIES: Department of Health; Department of the Attorney General; University of Hawaii; Department of Taxation.

EFFECTIVE DATE: July 1, 2025.