

JAN 28 2026

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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that electronic smoking  
2 devices are battery-operated devices that emit doses of nicotine  
3 and non-nicotine vaporized solutions to users, a practice  
4 popularly called "vaping." Since electronic smoking devices  
5 were introduced to consumers, their usage has rapidly grown,  
6 especially among young people. Since 2014, electronic cigarette  
7 devices have been the most widely used tobacco product among  
8 youth in the United States.

9 In 2018, the United States Surgeon General classified the  
10 danger of youth use of electronic smoking devices as an  
11 epidemic. This epidemic was disproportionately felt in Hawaii,  
12 with studies finding that the youth vaping rate in the State was  
13 among the highest in the country. Given the dangerous health  
14 impacts of electronic smoking devices, the potential  
15 consequences of this statistic were alarming.

16 In response to the high rates of electronic smoking device  
17 usage among the State's youth, the legislature enacted Act 62,



1 Session Laws of Hawaii 2023 (Act 62), which took several steps  
2 to address this epidemic. In particular, Act 62 established a  
3 seventy per cent excise tax on each electronic smoking device or  
4 e-liquid sold, used, or possessed by a wholesaler or dealer.

5 Despite the passage of Act 62, the use of electronic  
6 smoking devices among the State's youth continues to grow at a  
7 concerning rate, and addiction to these products remains an  
8 epidemic. Therefore, the legislature finds that the tax rate on  
9 these products must be increased to discourage vaping and  
10 decrease addiction rates. The legislature further finds that  
11 the additional tax revenue generated by the tax increase should  
12 be allocated to cancer research to help address the long-term  
13 health impacts caused by electronic smoking devices.

14 Accordingly, the purpose of this Act is to:

15 (1) Increase from seventy per cent to ninety per cent the  
16 taxation rate on electronic smoking devices and  
17 e-liquid sold, used, or possessed by a wholesaler or  
18 dealer after December 31, 2026; and  
19 (2) Provide for the deposit of the additional tax revenue  
20 into the Hawaii cancer research special fund for use



1                   by the cancer center of Hawaii at the university of  
2                   Hawaii.

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

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

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

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

18                   (3) 6.50 cents for each cigarette sold, used, or possessed  
19                   by a wholesaler or dealer after June 30, 2003, whether  
20                   or not sold at wholesale, or if not sold, then at the  
21                   same rate upon the use by the wholesaler or dealer;



- 1 (4) 7.00 cents for each cigarette sold, used, or possessed
- 2 by a wholesaler or dealer after June 30, 2004, whether
- 3 or not sold at wholesale, or if not sold, then at the
- 4 same rate upon the use by the wholesaler or dealer;
- 5 (5) 8.00 cents for each cigarette sold, used, or possessed
- 6 by a wholesaler or dealer on and after September 30,
- 7 2006, whether or not sold at wholesale, or if not
- 8 sold, then at the same rate upon the use by the
- 9 wholesaler or dealer;
- 10 (6) 9.00 cents for each cigarette sold, used, or possessed
- 11 by a wholesaler or dealer on and after September 30,
- 12 2007, whether or not sold at wholesale, or if not
- 13 sold, then at the same rate upon the use by the
- 14 wholesaler or dealer;
- 15 (7) 10.00 cents for each cigarette sold, used, or
- 16 possessed by a wholesaler or dealer on and after
- 17 September 30, 2008, whether or not sold at wholesale,
- 18 or if not sold, then at the same rate upon the use by
- 19 the wholesaler or dealer;
- 20 (8) 13.00 cents for each cigarette sold, used, or
- 21 possessed by a wholesaler or dealer on and after



1                   July 1, 2009, whether or not sold at wholesale, or if  
2                   not sold, then at the same rate upon the use by the  
3                   wholesaler or dealer;

4                   (9) 11.00 cents for each little cigar sold, used, or  
5                   possessed by a wholesaler or dealer on and after  
6                   October 1, 2009, whether or not sold at wholesale, or  
7                   if not sold, then at the same rate upon the use by the  
8                   wholesaler or dealer;

9                   (10) 15.00 cents for each cigarette or little cigar sold,  
10                  used, or possessed by a wholesaler or dealer on and  
11                  after July 1, 2010, whether or not sold at wholesale,  
12                  or if not sold, then at the same rate upon the use by  
13                  the wholesaler or dealer;

14                  (11) 16.00 cents for each cigarette or little cigar sold,  
15                  used, or possessed by a wholesaler or dealer on and  
16                  after July 1, 2011, whether or not sold at wholesale,  
17                  or if not sold, then at the same rate upon the use by  
18                  the wholesaler or dealer;

19                  (12) 18.00 cents for each cigarette or little cigar sold,  
20                  used, or possessed by a wholesaler or dealer on and  
21                  after January 1, 2026, 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                   (13) Seventy per cent of the wholesale price of each  
4                   article or item of tobacco products, other than large  
5                   cigars, electronic smoking devices, and e-liquids,  
6                   sold by the wholesaler or dealer on and after  
7                   September 30, 2009, whether or not sold at wholesale,  
8                   or if not sold, then at the same rate upon the use by  
9                   the wholesaler or dealer;

10                  (14) Fifty per cent of the wholesale price of each large  
11                  cigar of any length sold, used, or possessed by a  
12                  wholesaler or dealer on and after September 30, 2009,  
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; [and]

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



1        (16) Ninety per cent of the wholesale price of each  
2        electronic smoking device or e-liquid sold, used, or  
3        possessed by a wholesaler or dealer on and after  
4        January 1, 2027, whether or not sold at wholesale, or  
5        if not sold, then at the same rate upon the use by the  
6        wholesaler or dealer.

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

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

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

20            (1) Section 245-3(a)(5), after September 30, 2006, and  
21            prior to October 1, 2007, 1.0 cent per cigarette shall



1           be deposited to the credit of the Hawaii cancer  
2           research special fund, established pursuant to  
3           section 304A-2168, for research and operating expenses  
4           and for capital expenditures;

5       (2) Section 245-3(a)(6), after September 30, 2007, and  
6           before October 1, 2008:

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

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

19       (3) Section 245-3(a)(7), after September 30, 2008, and  
20           before July 1, 2009:



1 (A) 2.0 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) 0.5 cents per cigarette shall be deposited to the  
7 credit of the trauma system special fund  
8 established pursuant to section 321-22.5;

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

13 (D) 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 (4) Section 245-3(a)(8), after June 30, 2009, and before  
18 July 1, 2013:  
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) 0.75 cents per cigarette shall be deposited to  
4 the credit of the trauma system special fund  
5 established pursuant to section 321-22.5;

6 (C) 0.75 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) 0.5 cents per cigarette shall be deposited to the  
11 credit of the emergency medical services special  
12 fund established pursuant to section 321-234;

13 (5) Section 245-3(a)(11), after June 30, 2013, and before  
14 July 1, 2015:  
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;



1 (B) 1.5 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) 1.25 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) 1.25 cents per cigarette shall be deposited to  
9 the credit of the emergency medical services  
10 special fund established pursuant to  
11 section 321-234;

12 (6) Section 245-3(a)(11), after June 30, 2015, and before  
13 January 1, 2026:

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) 1.125 cents per cigarette, but not more than  
20 \$7,400,000 in a fiscal year, shall be deposited



1 to the credit of the trauma system special fund  
2 established pursuant to section 321-22.5;

3 (C) 1.25 cents per cigarette, but not more than  
4 \$8,800,000 in a fiscal year, shall be deposited  
5 to the credit of the community health centers  
6 special fund established pursuant to  
7 section 321-1.65; and

8 (D) 1.25 cents per cigarette, but not more than  
9 \$8,800,000 in a fiscal year, shall be deposited  
10 to the credit of the emergency medical services  
11 special fund established pursuant to  
12 section 321-234; [and]

15 (A) 4.0 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; provided that, until June  
20 30, 2030, of each amount deposited under this  
21 paragraph to the credit of the Hawaii cancer



1 research special fund, 4.0 cents per cigarette  
2 shall be used exclusively for debt service of  
3 capital expenditures and building maintenance;  
4 provided further that beginning July 1, 2030, of  
5 each amount deposited under this paragraph to the  
6 credit of the Hawaii cancer research special  
7 fund, 2.0 cents per cigarette shall be used  
8 exclusively for debt service of capital  
9 expenditures and building maintenance;

10 (B) 1.125 cents per cigarette, but no more than  
11 \$7,400,000 in a fiscal year, shall be deposited  
12 to the credit of the trauma system special fund  
13 established pursuant to section 321-22.5;

14 (C) 1.25 cents per cigarette, but no more than  
15 \$8,800,000 in a fiscal year, shall be deposited  
16 to the credit of the community health centers  
17 special fund established pursuant to  
18 section 321-1.65; and

19 (D) 1.25 cents per cigarette, but no more than  
20 \$8,800,000 in a fiscal year, shall be deposited  
21 to the credit of the emergency medical services



9 The department shall provide an annual accounting of these  
10 dispositions to the legislature."

11 SECTION 4. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

**13** SECTION 5. This Act shall take effect upon its approval.

14

INTRODUCED BY



# S.B. NO. 3205

**Report Title:**

Taxation; Electronic Smoking Devices; E-Liquid; Vaping; University of Hawaii; Hawaii Cancer Research Special Fund

**Description:**

Increases from 70% to 90% the taxation rate on electronic smoking devices and e-liquid sold, used, or possessed by a wholesaler or dealer after 12/31/2026. Provides for the deposit of the additional tax revenue into the Hawaii cancer research special fund.

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