ACT 95 H.B. NO. 441

A Bill for an Act Relating to Cigarette Taxes.

Be It Enacted by the Legislature of the State of Hawaii:

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

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

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

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

(1) Increasing the cigarette tax from sixteen cents to eighteen cents; and
(2) Amending the disposition of cigarette tax revenues by allocating the increase in the cigarette tax amount to the Hawaii cancer research special fund.

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

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

(1) 5.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer after June 30, 1998, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;
(2) 6.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer after September 30, 2002, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;
(3) 6.50 cents for each cigarette sold, used, or possessed by a wholesaler or dealer after June 30, 2003, whether or not sold at wholesale, or

if not sold, then at the same rate upon the use by the wholesaler or dealer;

(4) 7.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer after June 30, 2004, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;

(5) 8.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after September 30, 2006, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;

(6) 9.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after September 30, 2007, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;

(7) 10.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after September 30, 2008, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;

(8) 13.00 cents for each cigarette sold, used, or possessed by a wholesaler or dealer on and after July 1, 2009, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;

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

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

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

(12) 18.00 cents for each cigarette or little cigar sold, used, or possessed by a wholesaler or dealer on and after January 1, 2026, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;

[~~(12)~~] (13) Seventy per cent of the wholesale price of each article or item of tobacco products, other than large cigars, electronic smoking devices, and e-liquids, sold by the wholesaler or dealer on and after September 30, 2009, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer;

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

[~~(14)~~] (15) Seventy per cent of the wholesale price of each electronic smoking device or e-liquid sold, used, or possessed by a wholesaler or dealer on and after January 1, 2024, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer.

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

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

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

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

(2) Section 245-3(a)(6), after September 30, 2007, and [~~prior to~~] before October 1, 2008:
  (A) 1.5 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;
  (B) 0.25 cents per cigarette shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5; and
  (C) 0.25 cents per cigarette shall be deposited to the credit of the emergency medical services special fund established pursuant to section 321-234;

(3) Section 245-3(a)(7), after September 30, 2008, and [~~prior to~~] before July 1, 2009:
  (A) 2.0 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;
  (B) 0.5 cents per cigarette shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5;
  (C) 0.25 cents per cigarette shall be deposited to the credit of the community health centers special fund established pursuant to section 321-1.65; and
  (D) 0.25 cents per cigarette shall be deposited to the credit of the emergency medical services special fund established pursuant to section 321-234;

(4) Section 245-3(a)(8), after June 30, 2009, and [~~prior to~~] before July 1, 2013:
  (A) 2.0 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures;
  (B) 0.75 cents per cigarette shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5;

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

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

(5) Section 245-3(a)(11), after June 30, 2013, and [~~prior to~~] before July 1, 2015:

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

(B) 1.5 cents per cigarette shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5;

(C) 1.25 cents per cigarette shall be deposited to the credit of the community health centers special fund established pursuant to section 321-1.65; and

(D) 1.25 cents per cigarette shall be deposited to the credit of the emergency medical services special fund established pursuant to section 321-234; [~~and~~]

(6) Section 245-3(a)(11), after June 30, 2015, and [~~thereafter:~~] before January 1, 2026:

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

(B) 1.125 cents per cigarette, but not more than $7,400,000 in a fiscal year, shall be deposited to the credit of the trauma system special fund established pursuant to section 321-22.5;

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

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

(7) Section 245-3(a)(12), after December 31, 2025, and thereafter:

(A) 4.0 cents per cigarette shall be deposited to the credit of the Hawaii cancer research special fund, established pursuant to section 304A-2168, for research and operating expenses and for capital expenditures; provided that, until June 30, 2030, of each amount deposited under this paragraph to the credit of the Hawaii cancer research special fund, 4.0 cents per cigarette shall be used exclusively for debt service of capital expenditures and building maintenance; provided further that beginning July 1, 2030, of each amount deposited under this paragraph to the credit of the Hawaii cancer research special fund, 2.0 cents per cigarette shall be used exclusively for debt service of capital expenditures and building maintenance;

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

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

(D) 1.25 cents per cigarette, but no more than $8,800,000 in a fiscal year, shall be deposited to the credit of the emergency medical services special fund established pursuant to section 321-234.

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

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

SECTION 5. This Act shall take effect on December 31, 2025.

(Approved May 27, 2025.)