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July 22, 2009

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2009-12

RE: Application of the Tax on Tobacco Products after September 29, 2009.

On May 8, 2009, House Bill 895, HD 2, SD 2, CD1 became law as Act 58. The Department of Taxation issued Announcement No. 2009-05, which clarified that Act 58 caused the tax on tobacco products, including cigars, to be suspended for the period from May 8, 2009 through September 30, 2009. In addition, Act 58 changed the event that triggers the tax on cigars and little cigars.

Prior to Act 58, the tax on tobacco products (including cigars and little cigars) became due upon sale or use by the wholesaler or dealer; the tax did not become due when the dealer purchased tobacco products and merely held them for sale at a later date. This is still true for tobacco products other than cigars or little cigars. However, under Act 58, the tax becomes due on cigars possessed by the wholesaler or dealer on and after September 30, 2009 and on little cigars possessed by the wholesaler or dealer on and after October 1, 2009, whether or not the cigars or little cigars are sold or used. Dealers include Hawaii retailers who buy cigars or little cigars from unlicensed out-of-State sellers.

If cigars or little cigars are later sold or resold at wholesale (or if any other tobacco products are resold at wholesale), then additional tax is due on any markup over the value that was used to calculate the tax previously paid on those products.

For more information, please contact the Rules Office at 808-587-1577.

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