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DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2010-06

RE: Act 59, Session Laws of Hawaii 2010, Relating to Taxation; Repealing the Deduction for Political Contributions, Increasing the Cigarette Tax, and Increasing Certain Insurance Fees

On April 25, 2010, Governor Linda Lingle signed into law House Bill 1985 SD 1 CD 1, as Act 59, Session Laws of Hawaii 2010.

This Act is divided into three parts making the following amendments to Hawaii law:

Part I—Repealing the Deduction for Political Contributions

Part I of the Act amends Sections 235-7, Hawaii Revised Statutes (HRS), by repealing the deduction from Hawaii gross income for certain political contributions to a political party's central or county committee or to any candidate.

The Act also repeals HRS § 11-226, which provides the necessary framework a candidate must follow in order for such deduction to qualify.

Part II—Increasing the Cigarette Tax

Part II of the Act amends HRS § 245-3(a) by increasing the amount of the cigarette tax by one cent beginning on July 1, 2010, and increasing the tax again by an additional one cent on July 1, 2011. On July 1, 2010, the cigarette tax will be $0.15 per cigarette. On July 1, 2011, the cigarette tax will be $0.16 per cigarette.

For additional information on Part II of Act 59, please see Department of Taxation Announcement No. 2010-03.

Part III—Increasing Various Insurance Fees

Part III of Act 59 creates various new insurance fees, as well as doubles other existing insurance fees. The Department of Taxation does not administer these fees.

Effective Date

Act 59 takes effect on July 1, 2010; however Part I (relating to the political contribution deduction) applies to taxable years beginning after January 1, 2010.

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

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