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November 21, 2025

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2025-06 (AMENDED)

RE: Cigarette Tax Increase on January 1, 2026; Act 95, Session Laws of Hawaii 2025

As a result of changes to the timing and procedures for the issuance of cigarette stamps, the following updated information is provided.

This Announcement summarizes the cigarette tax increase in Act 95, Session Laws of Hawaii 2025 ("Act 95") and provides details on the procedure for taxpayers to pay the difference in stamps affixed to existing inventory on December 31, 2025.

On May 27, 2025, H.B. No. 441, H.D. 2, S.D. 2, C.D. 1, was signed into law by Governor Josh Green, M.D. and became Act 95.

Pursuant to Act 95, on January 1, 2026, the cigarette tax will increase from 16 cents to 18 cents per cigarette or little cigar.

This cigarette tax is collected by the Department of Taxation (DOTAX) when cigarette and tobacco wholesalers and dealers purchase cigarette tax stamps and affix the stamps on cigarette packs prior to distribution. The current cigarette tax stamps are light gray. New stamps to implement the increased tax rate will be green.

I. Impact on Consumers

Consumers may see cigarette packs with light gray stamps and cigarette packs with green stamps. A retailer may continue to sell cigarette packs with the light gray stamps on or after January 1, 2026, under the circumstances discussed below.

II. Impact on Retailers

A retailer may continue to sell cigarette packs with the current light gray stamps if:

(1) The cigarette pack with the light gray stamp was in the retailer's inventory as of January 1, 2026; or
(2) The retailer received the cigarette pack with the light gray stamp from a licensed wholesaler or dealer on or after January 1, 2026.

Act 95 does not require retailers who purchase cigarettes from licensed wholesalers or dealers to pass on and collect the additional tax to the consumer. If, however, a wholesaler or dealer passes on the additional tax to a retailer, the retailer may pass on the additional tax to the customer.

III. Impact on Wholesalers and Dealers

Act 95 requires every wholesaler and dealer to pay a tax of 18 cents for each cigarette or little cigar sold, used, or possessed on or after January 1, 2026.

For cigarette packs previously affixed with light gray stamps, wholesalers and dealers must file Form M-107 (Rev. 2025), Cigarette Tax Stamps Floor Stock return. The purpose of Form M-107 is to collect the difference in price between the new green stamp and current light gray stamp for every unused or affixed stamp in the wholesaler's or dealer's ending inventory on December 31, 2025 ($3.60 per pack/$0.18 per cigarette versus $3.20 per pack/$0.16 per cigarette).

After Form M-107 has been filed and the difference in the tax has been paid, the light gray stamps may be used until depleted.

The stamp fee imposed under section 245-26, Hawaii Revised Statutes (HRS)[1], and the discount provided under section 245-22, HRS[2], will be applicable to the difference in the tax reported on the floor stock return. All floor stock returns are subject to audit.

New green stamps will be available for purchase from First Hawaiian Bank beginning January 2, 2026. The price for a roll of green stamps will be $54,702.00.

DOTAX is revising the cigarette and tobacco tax forms to reflect the increase in the tax rate for sales, use, or possession of cigarettes on or after January 1, 2026.

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[1] Section 245-26(a), HRS, provides:

> Stamps shall be sold at their denominated values, plus a stamp fee of 1.7 per cent of the denominated value of each stamp sold, composed of the aggregate of:
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> (1) .2 percent of the denominated value of the stamp to pay for the cost to the State of providing the stamps, with that amount to be deposited to the credit of the department of taxation's cigarette tax stamp administrative special fund; and
>
> (2) 1.5 percent of the denominated value of the stamp to pay for the cost of enforcing the stamp tax, with that amount to be deposited to the credit of the department of the attorney general's tobacco enforcement special fund;
>
> provided that the department by rule may modify the stamp fee to reflect actual costs incurred by the State in providing the stamps.

[2] Section 245-22(e), HRS, allows stamps to be sold with a 0.4 percent discount to defray the cost of affixing the stamps incurred by vendors. DOTAX may adjust the discount by rule.

If you have any questions about this Announcement, please contact the Department of Taxation's Rules Office at (808) 587-1530, or via email at Tax.Rules.Office@hawaii.gov.

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