

STATE OF HAWAII—DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM M-19
CIGARETTE AND TOBACCO PRODUCTS MONTHLY TAX RETURN

Changes You Should Note

Act 62, Session Laws of Hawaii 2023, amended the definition of tobacco products by adding two new definitions, “e-liquid” and “electronic smoking device,” and imposed a new tax rate of 70% of the wholesale price for the sale, use, or possession of e-liquids and electronic smoking devices effective January 1, 2024.

For more information on Act 62, please refer to the Department of Taxation Announcement No. 2023-02 (Amended), “Act 62, Session Laws of Hawaii 2023, Relating to Health; Tobacco Products and Electronic Smoking Devices.”

General Instructions

Form M-19 is used to report the monthly sales, use, or possession (as defined in section 245-1, Hawaii Revised Statutes (HRS)) of cigarettes and tobacco products.

Form M-19 MUST be filed electronically at hitax.hawaii.gov.

Cigarette Tax Stamps

Sections 245-21 and 245-22, HRS, provide that licensees, as defined in section 245-1, HRS, shall pay the tax on cigarettes through the use of cigarette tax stamps and that licensees are required to place cigarette tax stamps on packs of cigarettes prior to distribution, as defined in section 245-1, HRS.

Section 245-3, HRS, imposes the cigarette tax at the rate of \$.16 per cigarette for sales, use, or possession of cigarettes on and after July 1, 2011.

Tobacco Tax

Section 245-3, HRS, imposes the tobacco tax as follows:

- For sales, use, or possession of tobacco products (other than cigarettes, large cigars, little cigars, e-liquids, and electronic smoking devices) on and after September 30, 2009, the tax is imposed at the rate of 70% of the wholesale price of the tobacco products.
- For sales, use, or possession of large cigars of any length on and after September 30, 2009, the tax is imposed at the rate of 50% of the wholesale price of the large cigars.
- For sales, use, or possession of little cigars on and after July 1, 2011, the tax is imposed at the rate of \$.16 per little cigar.
- For sales, use, or possession of e-liquids and electronic smoking devices on and after January 1, 2024, the tax is imposed at the rate of 70% of the wholesale price of the e-liquids and electronic smoking devices.

Definition of Certain Terms Used in Chapter 245, HRS

“**Cigarette**” means any roll for smoking made wholly or in part of tobacco, irrespective of the size and shape and whether or not the tobacco is flavored, adulterated, or mixed with any other ingredient, the wrapper or cover of which is made of paper or any other substance or material except tobacco.

“**Dealer**” means any person coming into the possession of cigarettes, little cigars, or tobacco

products which have not been acquired from an authorized permit holder or licensee under chapter 245, HRS, or any person rendering a distribution service who buys and maintains, at the person’s place of business, a stock of cigarettes, little cigars, or tobacco products that have not been acquired from a licensee and who distributes or uses such cigarettes, little cigars, or tobacco products.

“**Distribute,**” “**distributes,**” or “**distribution**” means to sell, ship, transfer, give, or deliver to another, or to leave, barter, or exchange with another, or to offer or agree to do the same.

“**E-liquid**” means any liquid or like substance, which may or may not contain nicotine, that is designed or intended to be used in an electronic smoking device, whether or not packaged in e-cartridge or other container. E-liquid does not include prescription drugs, cannabis for medical use, or medical devices used to aerosolize, inhale, or ingest prescription drugs, including manufactured cannabis for medical use products.

“**Electronic smoking device**” means any device that may be used to deliver any aerosolized or vaporized substance to a person inhaling from the device, including but not limited to an electronic cigarette, electronic cigar, electronic pipe, vape pen, or electronic hookah. Electronic smoking device does not include drugs, devices, or combination products authorized for sale by the United States Food, Drug, and Cosmetic Act.

“**Little cigar**” means any roll for smoking made wholly or in part of tobacco if such product is wrapped in any substance containing tobacco, other than natural leaf tobacco, and weighs not more than four pounds per thousand rolls.

“**Possession**” means knowingly having direct physical control at a given time or knowingly having the power and the intention, at a given time, to exercise dominion or control, either directly or through another entity.

“**Sale**” includes every act of selling and includes any sale or act of selling that originates from any order that is placed or submitted by means of a telephonic or other method of voice transmission, the mail, or any other delivery service, or the Internet or other online service.

“**Ship**” or “**causes to be shipped**” means to send by any means of transportation, including by vessel, vehicle, or aircraft.

“**Tobacco products**” means tobacco in any form other than cigarettes or little cigars, that is prepared or intended for consumption or for personal use by humans, including large cigars and any substitutes thereof other than cigarettes that bear the semblance thereof, snuff, chewing or smokeless tobacco, smoking or pipe tobacco, e-liquids, and electronic smoking devices.

“**Use**” means the exercise of any right or power incident to ownership or possession, other than the sale, or the keeping or retention for the purpose of sale.

“**Wholesale price,**” in addition to any other meaning of the term, means in the case of a tax upon the use of tobacco products, or upon a sale not made at wholesale: (1) If made by a person who during the month preceding the accrual of the tax made substantial sales to retailers of like tobacco products, the average price of the sales, and (2) If made by any other person, the average price of sales to retailers of like tobacco products made by other taxpayers in the same

county during the month preceding the accrual of the tax.

“**Wholesaler**” means a person rendering a distribution service who buys and maintains, at the person’s place of business, a stock of cigarettes, little cigars, or tobacco products that the person uses, possesses, or distributes only to retailers, or other wholesalers, or both.

Export and Foreign Cigarettes Prohibited

It is unlawful for an entity to possess, keep, store, retain, transport, sell, or offer to sell, distribute, acquire, hold, own, import, or cause to be imported into the State any of the cigarettes described in section 245-51, HRS.

Stamping or Sale of Cigarettes Not Listed in the Directory Prohibited

Unless the cigarette package is exempt under section 245-3(b), HRS, it is unlawful (a) to affix a cigarette tax stamp to any cigarette package whose tobacco product manufacturer or brand family is not listed in the directory established under chapter 486P, HRS, or (b) to import, sell, offer, keep, store, acquire, transport, distribute, receive, or possess for sale or distribution cigarettes of a tobacco product manufacturer or brand family not included in the directory. Any entity in violation will be guilty of a class C felony.

To determine whether the cigarette manufacturer or brand family is listed in such directory, please visit the Tobacco Enforcement Unit, Department of the Attorney General’s website at: ag.hawaii.gov/cjd/tobacco-enforcement-unit. The Tobacco Enforcement Unit also may be contacted as follows:

Correspondence:
TOBACCO ENFORCEMENT UNIT
Department of the Attorney General
425 Queen Street
Honolulu, Hawaii 96813
Telephone: (808) 586-1203

Retail Tobacco Permit

Every retailer engaged in the retail sale of cigarettes and other tobacco products upon which the cigarette and tobacco tax is required to be paid shall obtain a retail tobacco permit. A separate retail tobacco permit is required for every retail location. An entity that operates as a dealer or wholesaler and also sells cigarettes or other tobacco products to consumers at retail shall acquire a separate retail tobacco permit.

Who Must File

Every wholesaler or dealer as defined in Chapter 245, HRS, must file Form M-19.

For more information on the Tobacco License and Retail Tobacco Permit requirements, please refer to Tax Information Release No. 2023-02, “Cigarette and Tobacco License and Permit Requirements Under Chapter 235, Hawaii Revised Statutes.”

Electronic Funds Transfer (EFT)

Section 231-9.9, HRS, authorizes the Department to require those taxpayers whose tax liability for a particular tax exceeded \$100,000 during the past year to pay that tax by EFT instead of by check. The Department reviews the filing records of taxpayers and will mail notices to taxpayers who met this criterion. Any taxpayer who does not meet the criterion may still voluntarily pay by EFT. For more information on paying taxes by EFT, see tax.hawaii.gov/eservices/ and Tax Information Release Nos. 95-6 and 99-1.

IMPORTANT: A penalty of 2% of the total tax will be assessed if a taxpayer who is required to make payments by EFT does not do so without reasonable cause. If an EFT payment is dishonored, a \$25 service fee will be assessed.

When to File

Form M-19 must be filed on or before the twentieth day of each month, showing the cigarettes and tobacco products sold, possessed, or used by the wholesaler or dealer during the preceding calendar month. If the due date falls on a Saturday, Sunday, or legal holiday, file by the next regular workday.

The official U.S. Post Office cancellation mark will be considered primary evidence of the date of filing of tax documents and payments. Hawaii has adopted the Internal Revenue Code provision to allow documents and payments delivered by a designated private delivery service to qualify for the "timely mailing treated as timely filing/paying rule." The Department will conform to the Internal Revenue Service listing of designated private delivery services and type of delivery services qualifying for the "timely mailing treated as timely filing/paying rule." Timely filing of mail which does not bear a U.S. Post Office cancellation mark will be determined by reference to other competent evidence.

Where to File

Form M-19 **MUST** be filed electronically at hitax.hawaii.gov.

You may also mail Form M-19 and your payment to:

Hawaii Department of Taxation
P.O. Box 259
Honolulu, Hawaii 96809-0259

Where to Get Forms, Instructions, and Publications

Forms, publications, and other documents, such as copies of Tax Information Releases and Administrative Rules issued by the Department, are available on the Department's website at tax.hawaii.gov or you may contact a customer service representative at:

Voice: 808-587-4242
1-800-222-3229 (Toll-Free)

Telephone for the Hearing Impaired:
808-587-1418
1-800-887-8974 (Toll-Free)

Fax: 808-587-1488

Mail: Taxpayer Services Branch
P.O. Box 259
Honolulu, HI 96809-0259

Tobacco Enforcement Unit

Cigarette and tobacco dealers and wholesalers must file monthly reports detailing sales and distribution information with the Tobacco Enforcement Unit. Reporting forms and instructions are available at ag.hawaii.gov/cjd/tobacco-enforcement-unit/reporting-forms/.

For more information, please contact the Tobacco Enforcement Unit at:

Voice: 808-586-1203

Email: atg.tobaccoenforcementunit@hawaii.gov

Mail: DEPARTMENT OF THE ATTORNEY
GENERAL
Tobacco Enforcement Unit
425 Queen Street
Honolulu, HI 96813

Penalty and Interest

Late Filing of Return – The penalty for failure to file a return on time is assessed on the tax due at a rate of 5% per month, or part of a month, up to a maximum of 25%.

Failure to Pay Tax After Filing Timely Return – The penalty for failure to pay the tax after filing a timely return is 20% of the tax unpaid within 60 days of the prescribed due date.

Failure to Pay by EFT – The penalty for failure to pay by EFT for taxpayers who are required to pay by EFT is 2% of the total tax.

Failure to File Electronically – Form M-19 **MUST** be filed electronically unless you obtain a waiver. (Use Form L-110 to apply for a waiver.) The penalty for failure to file electronically is 2% of the total tax.

Interest – Interest at the rate of 2/3 of 1% per month or part of a month shall be assessed on unpaid taxes and penalties beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on a Saturday, Sunday, or legal holiday.

Signature

The return must be signed and dated by the wholesaler or dealer or an authorized representative of the wholesaler or dealer.

Specific Instructions

These instructions are numbered to correspond to the line items of Form M-19. Other line items on the form are self-explanatory.

Lines 1, 8, 15, and 22

Enter the wholesale value of wholesale sales of tobacco products, large cigars, little cigars, e-liquids, and electronic smoking devices for the month. For little cigars, also enter the number of little cigars sold at wholesale during the month.

Lines 2, 9, 16, and 23

Enter the wholesale value of retail sales of tobacco products, large cigars, little cigars, e-liquids, and electronic smoking devices for the month. For little cigars, also enter the number of little cigars sold at retail during the month.

Lines 3, 10, 17, and 24

Enter the wholesale value of the taxable use of tobacco products, large cigars, little cigars, e-liquids, and electronic smoking devices for the month. For little cigars, also enter the number of little cigars used during the month subject to the tax.

Note: Taxpayers should use lines 3, 10, 17, and 24, to report the wholesale value of the taxable possession of tobacco products, large cigars, little cigars, e-liquids, and electronic smoking devices for the month.

Lines 5, 12, 19, and 26

Enter the amount of non-taxable sales of tobacco products, large cigars, little cigars, e-liquids, and electronic smoking devices from page 2, Part I, Non-Taxable Sales of Tobacco Products, Large Cigars, Little Cigars, E-liquids, and Electronic Smoking Devices. The following sales should be included on this line: (1) Sales to the United States, including any agency or instrumentality thereof; and (2) Sales that are shipped to a point outside the State for subsequent sale or use outside the State.

Line 30

The computation for the overpayment of cigarette tax paid with cigarette tax stamps is found on pages 3 and 4, Part II. A wholesaler or dealer may claim a refund of cigarette taxes paid with cigarette tax stamps in the following situations:

- The cigarettes were shipped outside of Hawaii for sale or use outside of Hawaii. See instructions to Part II, Schedule 1.
- The cigarettes became the subject of a casualty loss. See instructions to Part II, Schedule 2.
- The cigarettes became stale and were returned to the manufacturer. See instructions to Part II, Schedule 3.
- There were more than 20 cigarettes in the cigarette package and more than one cigarette tax stamp was affixed to the cigarette package. See instructions to Part II, Schedule 4.
- The cigarette tax stamps were damaged while being affixed to the cigarette packages. See instructions to Part II, Schedule 5.

Enter the amount of refund from page 4, Part II, Refund of Cigarette Tax Paid With Cigarette Tax Stamps, line 6.

Note: Form M-106 is used to request a refund of *unused* cigarette tax stamps.

Line 34

Enter the total amount due with the return. If line 34 is a negative number, enter the amount in parentheses. The amount will be refunded to you.

Amended Returns

If you are filing an amended return, check the amended return box at the top of Form M-19. Complete your amended return using corrected amounts through line 34. Attach Schedule AMD, Explanation of Changes on Amended Return.

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Line 35

Enter the amount paid (or overpaid) on your original Form M-19. If the amount is an overpayment, enter the amount in (parentheses).

Line 36

Enter the balance due (or refund) with the amended return. If the amount is a refund, enter the amount in (parentheses). The amount will be refunded to you.

Line 37

NOTE: If you are NOT submitting a check with your return, enter "0.00" on line 37. Write the amount of your payment, including any penalty and interest, on line 37. Attach your check or money order for this amount payable to "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank. Write "M-19," the filing period, and your Hawaii Tax I.D. No. on your check or money order. **DO NOT SEND CASH.**

Part I – List of Non-Taxable Sales

Non-Taxable Sales of Tobacco Products, Large Cigars, and Little Cigars - List (1) Sales to the United States, including any agency or instrumentality thereof; and (2) Sales that are shipped to a point outside the State for subsequent sale or use outside the State, including sales made under section 212-8, HRS, to any common carrier for consumption out-of-state by the crew or passengers on such carrier; and sales by wholesalers from U.S. licensed bonded warehouses to foreign fishing vessels and to common carriers for out-of-state consumption by the crew or passengers.

Attach a separate schedule if more space is needed.

Non-Taxable Sales of Cigarettes - List sales of cigarettes to the United States, including any agency or instrumentality thereof.

Do not include in this list, sales of cigarettes that are shipped to a point outside the State for subsequent sale or use outside the State, including sales made under section 212-8, HRS, to any common carrier for consumption out-of-state by the crew or passengers on such carrier; and sales by wholesalers from U.S. licensed bonded warehouses to foreign fishing vessels and to common carriers for out-of-state consumption by the crew or passengers. These sales should be listed on page 3, Part II, Refund of Cigarette Tax Paid With Cigarette Tax Stamps.

Attach a separate schedule if more space is needed.

Part II – Refund of Cigarette Tax Paid With Cigarette Tax Stamps

Effective July 1, 2021, all claims for refund and credit amounts will be based upon the purchase price of the cigarette tax stamps; the denominated value of the cigarette tax stamps less any discount applied.

The five schedules in Part II are used to compute the amount of refund for cigarette tax stamps affixed to the cigarette packages.

Schedule 1, Cigarettes Shipped Outside of the State for Sale or Use Outside the State

- A refund of cigarette tax may be claimed for cigarette tax stamps that were affixed to cigarette packages which were shipped outside of Hawaii (exempt sale).

Note: A copy of Form M-104, Export Exemption Certificate for Cigarette and Tobacco Taxes must be attached to Form M-19 in order to claim the refund.

Schedule 2, Cigarettes Which Became the Subject of a Casualty Loss

- A refund of cigarette tax may be claimed for cigarette tax stamps that were affixed to cigarette packages that became the subject of a casualty loss.

Note: A copy of the claim of loss to the insurance company for inventory loss or destroyed must be attached to Form M-19 in order to claim the refund.

Schedule 3, Stale Cigarettes Returned to Manufacturer

- A refund of cigarette tax may be claimed for cigarette tax stamps that were affixed to cigarette packages that were returned to the manufacturer because they became stale.

For cigarette packages with yellow or red stamps which were distributed after June 30, 2010, but prior to July 1, 2011, use Table 1. For cigarette packages with light gray or yellow stamps which were distributed after June 30, 2011, use Table 2.

Note: A copy of the certification from the manufacturer for the return of the stale cigarettes must be attached to Form M-19 in order to claim the refund.

Schedule 4, Overpayment of Tax on Cigarette Packages Containing More Than 20 Cigarettes

- A refund of cigarette tax may be claimed for situations where there were more than 20 cigarettes in the cigarette package and the cigarette tax stamps affixed to the cigarette package were more than the actual tax due on the cigarette package. For example, two cigarette tax stamps with the denominated value of \$3.20 per light gray stamp were affixed to a cigarette package containing 25 cigarettes. Since the tax on the 25 cigarettes is \$4.00 (\$.16 x 25), a refund of \$2.40 (\$6.40 - \$4.00) may be claimed for that cigarette package.

Schedule 5, Refund for Damaged Cigarette Tax Stamps Affixed to Cigarette Packages

- A refund of cigarette tax may be claimed for situations where cigarette tax stamps were damaged while being affixed to the packages. If new stamps had to be affixed to the cigarette packages, a refund may be claimed for the damaged cigarette tax stamps. Evidence that the cigarette tax stamps have been damaged must be offered for inspection and examination at any time upon request of the Department of Taxation or the Department of the Attorney General.

Part III – Schedule of Cigarette Brands Sold

List the cigarette brand, cigarette brand style, and number of cigarettes sold at wholesale and retail during the month. The total number of cigarettes entered on this schedule should equal the number of cigarettes entered on page 4, Part IV, Schedule of Cigarettes Sold, Used, and Possessed, lines 1 and 2.

In lieu of completing this schedule, a report or other schedule showing the requested information may be attached to Form M-19.

Part IV – Schedule of Cigarettes Sold, Used, and Possessed

Line 5

Enter the total number of cigarettes from page 2, Part I, Non-Taxable Sales of Cigarettes. Only the number of cigarettes sold to the United States, including any agency or instrumentality thereof, should be included on this line.

Part V – Cigarette Tax Stamps Inventory

Complete the cigarette tax stamps inventory for the month. Enter the information under the appropriate column: yellow stamps and light gray stamps.

Line 3 - Enter the number of cigarette tax stamps that were transferred in during the month. Form M-103, Transfer of Cigarette Tax Stamps, must have been approved by the Department prior to the transfer of the cigarette tax stamps.

Line 6 - Enter the number of cigarette tax stamps that were transferred out during the month. Form M-103, Transfer of Cigarette Tax Stamps, must have been approved by the Department prior to the transfer of the cigarette tax stamps.

Line 7 - Enter the number of unused cigarette tax stamps that were returned for a refund during the month. Form M-106, Request for Refund of Unused Cigarette Tax Stamps, must have been filed to request a refund for unused cigarette tax stamps.