

Name	Contact Name	
Doing Business As	Telephone Number	
Mailing Address	Cigarette Tax and Tobacco Tax License Number	
City, State, Postal/Zip Code	Hawaii Tax Identification Number <b>TO</b>	FEIN/SSN

- I declare, under the penalties set forth in section 231-36, HRS, and the penalties for perjury, that this is a true and correct return indicating the ending inventory of cigarette tax stamps possessed or under the control of the undersigned at the close of business on December 31, 2025.

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Title

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Date \_\_\_\_\_

**Kauai District Office**  
3060 Eiwa St. #105  
Lihue, Hawaii 96766-1889  
Toll-Free: 1-800-222-3229

## Changes to Note

Act 95, Session Laws of Hawaii 2025, increases the cigarette tax from 16 cents to 18 cents for each cigarette or little cigar sold, used, or possessed by a wholesaler or dealer on or after January 1, 2026.

## General Instructions

Licensees, as defined in section 245-1, HRS, may continue to use their existing inventory of cigarette tax stamps with the denominated value of \$3.20 (light gray stamps) after December 31, 2025, if licensees pay the price difference between the light gray stamps and the cigarette tax stamps with the denominated value of \$3.60 (green stamps) on all affixed and/or unused light gray stamps in their ending inventory at the close of business on December 31, 2025.

Form M-107 is used to report and pay the cigarette tax stamp price difference on all affixed and/or unused light gray stamps in the ending inventory at the close of business on December 31, 2025.

All licensees approved to purchase cigarette tax stamps are required to submit Form M-107 along with any amount due to the Department of Taxation by January 20, 2026. Failure to timely file Form M-107 and to timely pay any amount due may result in the suspension of the licensee's approval to purchase cigarette tax stamps.

If any due date falls on a Saturday, Sunday, or legal holiday, substitute the next regular work day as the due date.

## Specific Instructions

**Lines 1 and 2:** Licensees must report all affixed and/or unused cigarette tax stamps in their ending inventory at the close of business on December 31, 2025. The ending inventory of all affixed and/or unused cigarette tax stamps does **not** include cigarette tax stamps damaged before January 1, 2026.

Example: A licensee plans to distribute (as defined in section 245-1, HRS) 2,000 packages of cigarettes on January 1, 2026. Each package contains 20 cigarettes. In the process of affixing cigarette tax stamps to these 2,000 packages on **December 31, 2025**, licensee damaged 500 cigarette tax stamps. As a result, licensee used 2,500 cigarette tax stamps to affix cigarette tax stamps to the 2,000 packages on **December 31, 2025**. In addition to the 2,000 affixed cigarette tax stamps, licensee has 4,000 unused cigarette tax stamps in the licensee's ending inventory at the close of business on December 31, 2025. Based on these facts, licensee must report 2,000 affixed cigarette tax stamps on Line 1 and 4,000 unused cigarette tax stamps on Line 2. For the 500 damaged cigarette tax stamps, licensee should report these 500 stamps on Line 5, Page 4, Form M-19, (Cigarette and Tobacco Products Monthly Tax Return) for the month of December 2025.

**Line 4:** The difference in price is computed as follows (see table below):

Section 245-26(a), HRS, provides for a stamp fee of 1.7% of the denominated value of each stamp sold. This stamp fee is used to pay for the State's cost of providing and enforcing the tax stamp. To defray the cost of affixing the stamps, section 245-22(e), HRS, provides for a .4% reduction of the denominated value of the stamp if certain requirements are met. Since the denominated value of the stamp is increased from \$3.20 per stamp to \$3.60 per stamp and the stamp fee and stamp price reduction are calculated by taking specified percentages of the denominated value, the amount of the stamp fee and reduction have also changed.

Section 245-22(e), HRS, provides that cigarette tax stamps may be sold at a reduction of .4% of each denominated value of stamp if the licensee is in compliance with the State of Hawaii's tax laws. To demonstrate compliance with the State of Hawaii's tax laws and thus be eligible for the reduction of \$.0144 per stamp beginning on January 1, 2026 the licensee must have obtained a tax clearance certificate (Form A-6, Tax Clearance Application) with the State's approval when the licensee renewed the licensee's Cigarette and Tobacco Tax Permit for fiscal year ending June 30, 2026.

**Lines 6 and 7:** Failure to timely file Form M-107 and to timely pay any amount due may result in the suspension of the licensee's approval to purchase cigarette tax stamps and will result in the following actions:

- A. Assessment of penalties. Penalties will be assessed at a rate of 5% per month or part of a month up to 25% on the amount due (Line 5).
- B. Assessment of interest. Interest will be assessed at a rate of 2/3 of 1% per month or part of a month on the sum of the amount due and penalties (Line 5 plus Line 6).

Description	January 1, 2026	Prior to January 1, 2026	Difference
Denominated value of stamp	\$3.6000	\$3.2000	\$.4000
Stamp fee @ 1.7% of denominated value of stamp - see following explanation	\$.0612	\$.0544	\$.0068
Reduction @ .4% of denominated value of stamp - see following explanation	(\$0.0144)	(\$0.0128)	(\$0.0016)
Total	\$3.6468	\$3.2416	\$.4052