

STAND. COM. REP. NO.

1379

Honolulu, Hawaii

MAR 19, 2025

RE: S.B. No. 1043
S.D. 2
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Economic Development & Technology, to which was referred S.B. No. 1043, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to exempt the gross proceeds or income received or derived from the sale of groceries and nonprescription drugs from the general excise tax.

Your Committee received testimony in support of this measure from one member of the Maui County Council; Hawaii Ironworkers Stabilization Fund; Activities and Attractions Association of Hawaii; Libertarian Party of Hawaii; Hawaii Food Industry Association; Hawai'i Foodbank; Grassroot Institute of Hawaii; Maui Chamber of Commerce; Hawai'i Food+ Policy; ABC Stores; Boteilho Hawaii Enterprises Inc.; and eight individuals. Your Committee received comments on this measure from the Department of Taxation; Hawaii Appleseed Center for Law & Economic Justice; and Tax Foundation of Hawaii.

Your Committee finds that general excise taxes on groceries and nonprescription drugs disproportionately impact low- and moderate-income families who are already burdened by Hawaii's high cost of living. While your Committee recognizes the potential

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benefit of exempting groceries and nonprescription drugs from the general excise tax, your Committee believes that the extent of these exemptions may be untimely, as they would deprive the State of a crucial source of revenue during a period of fiscal uncertainty.

Accordingly, your Committee has amended this measure by:

- (1) Removing the general excise tax exemption for groceries;
- (2) Reducing the general excise tax rate for nonprescription drugs by one half, rather than providing a full exemption;
- (3) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1043, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1043, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Technology,


GREGGOR ILAGAN, Chair



