

STAND. COM. REP. NO.

1743

Honolulu, Hawaii

MAR 18, 2025

RE: S.B. No. 1278
S.D. 1
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. 1278, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Exempt Restaurant Revitalization Fund grants received by eligible businesses pursuant to the American Rescue Plan Act of 2021 from the state general excise tax; and
- (2) Require any state general excise taxes paid by eligible businesses for Restaurant Revitalization Fund grants to be refunded to the taxpayer.

Your Committee received testimony in support of this measure from the Hawai'i Restaurant Association; Maui Brewing Company Restaurants; Maui Brewing Restaurant Group; Maui Chamber of Commerce; Luana Hospitality Group; Giovanni Pastrami Restaurant Group; MJ Food Group Inc.; Shorefyre/Skybox; Grassroot Institute of Hawaii; Chamber of Commerce Hawaii; La Tour Cafe; Maui Brewing Co.; Popeyes Louisiana Kitchen; Hilo Bay Cafe; 604 Hospitality Group LLC; Roy's Hawaii (Roy's Restaurant, Goen, Eating House 1849, Humble Market Kitchen); Highway Inn; Cheeseburger

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Restaurants; Makai Grinds LLC; L&L Hawaiian Barbecue; and numerous individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that the COVID-19 pandemic heavily impacted the restaurant industry through mandated closures, seating limitations, and increased operational costs. Your Committee recognizes that restaurants have not fully recovered from the financial impact of the COVID-19 pandemic and that there is a need to alleviate the tax burden placed on restaurants that received certain federal grants, loans, and loan advances.

Your Committee has amended this measure by:

- (1) Requiring the Department of Taxation to notify all taxpayers eligible for refunds of any state general excise tax paid for Restaurant Revitalization Fund grants of their eligibility and require taxpayers to file refund claims no later than six months following notification;
- (2) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (3) 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. 1278, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1278, S.D. 1, 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,


GREGOR ILAGAN, Chair



