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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
S.B. No. 1043, S.D. 1, Relating to Taxation

BEFORE THE:
Senate Committee on Ways and Means

DATE: Thursday, February 27, 2025
TIME: 10:30 a.m.
LOCATION: State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following <u>comments</u> regarding S.B. 1043, S.D. 1, for your consideration.

S.B. 1043, S.D. 1, adds two new sections to chapter 237, Hawaii Revised Statutes (HRS), to establish a general excise tax (GET) exemption for the sale of groceries and a GET exemption for the sale of nonprescription drugs.

"Groceries" is defined as products eligible to be purchased with the United States (U.S.) Department of Agriculture's Supplemental Nutrition Assistance Program benefits.

The bill defines a "drug" as:

- articles recognized in official U.S. Pharmacopoeia publications
- articles used for diagnosis, cure, mitigation, treatment, or prevention of disease in humans or animals
- articles other than food or clothing intended to affect the structure or any function of the body of humans or animals
- Components of the articles listed in the above bullet points, except for devices or their components, parts or accessories, cosmetics, or liquor

"Nonprescription drug" is defined as any packaged, bottled, or nonbulk chemical, drug, or medicine that may be lawfully sold without a practitioner's order.

The bill has a defective effective date of December 31, 2050.

DOTAX notes that the definitions of "nonprescription drug" and "drug" are very broad and will be difficult to administer for purposes of a GET exemption. For example, the definition of "nonprescription drug" is not limited to drugs, as defined in the bill, but also includes any "nonbulk chemical" that is packaged or bottled and that may be lawfully sold without a practitioner's order. This may include chemicals that are not intended or used to treat disease or illness. DOTAX suggests that these definitions be amended with more specificity. As one example, per the American Association of Retired Persons (AARP), other states with similar exemptions have used the following language:

> "Nonprescription drug" is defined as any lawfully sold, packaged, or bottled, over-the-counter medicine a person uses in the diagnosis, cure, mitigation, treatment or prevention of a disease, illness, injury, or pain, if the package has a Drug Facts label from the U.S. Food and Drug Administration.

Additionally, DOTAX requests that if this bill passes, the effective date be amended to January 1, 2027, to allow sufficient time for changes to forms, instructions, computer systems, and to provide guidance and education to taxpayers on the changes.

DOTAX estimates a revenue loss from this measure as follows:

General Fund Impact ($ millions) – Dynamic Model

	FY2026	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**
GET Exemption for Groceries	-239.5	-256.8	-263.6	-272.9	-284.4	-297.5
GET Exemption for Nonprescription Drugs	-19.4	-21.6	-22.1	-22.6	-23.1	-23.6
Total	**-258.9**	**-278.4**	**-285.8**	**-295.5**	**-307.5**	**-321.1**

Thank you for the opportunity to provide comments on this measure.

HAWAII FOOD INDUSTRY ASSOCIATION
1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiifood.com

TO: Committee on Ways and Means
FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 27, 2025
TIME: 10:30am

RE: SB1043 SD1 Relating to Taxation
Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA is in strong support of SB1043 SD1 which seeks to eliminate the General Excise Tax (GET) on groceries and nonprescription drugs in Hawaiʻi.

Hawaiʻi has one of the highest costs of living in the nation, placing immense financial strain on local families. The combination of **inflation, supply chain disruptions, and the economic effects of the COVID-19 pandemic** has exacerbated food insecurity, leaving **nearly 30% of households food insecure in 2023**, according to the Hawaiʻi Foodbank. On Hawaiʻi Island, the situation is even more dire, with **The Food Basket reporting a food insecurity rate of 40%**.

Under these circumstances, **taxing food is both unethical and unnecessary**. Grocery taxes disproportionately burden low- and middle-income families, exacerbating economic hardship and worsening food insecurity. **Hawaiʻi's 4.5% GET adds an estimated $773 per year** in additional costs for a family of four under the USDA's Thrifty Food Plan. For many residents, this is the difference between putting food on the table and going hungry.

The Link Between Grocery Taxes and Food Insecurity

Decades of research confirm that grocery taxes **directly contribute to significantly higher rates of food insecurity**: "We found that even the slightest increase in tax rate correlated to an increased likelihood of food insecurity. Grocery taxes that rose by just one percentage point led to a higher risk of hunger in households" (Kaiser).

- **Zheng, Y., Zhao, J., Buck, S., Burney, S., & Kaiser, H. M. (2021).** Putting grocery food taxes on the table: Evidence for food security policy-makers. *Food Policy*. ScienceDirect
- **World Food Policy Center. (2021).** Why grocery taxes hurt low-income families: More evidence for policymakers. *Duke University, Sanford School of Public Policy*. Listen here
- **Health Economics Review. (n.d.).** The effect of grocery taxes on health outcomes: Insights from low-income communities. *BioMed Central*. Read the article
- **Center for Budget and Policy Priorities: States That Still Impose Sales Taxes on Groceries Should Consider Reducing or Eliminating Them:** https://www.cbpp.org/research/state-budget-and-tax/which-states-tax-the-sale-of-food-for-home-consumption-in-2017
    - https://www.cbpp.org/sites/default/files/atoms/files/3-16-06sfp3.pdf

Furthermore, taxing essential food and medicine is **a regressive policy** that disproportionately affects kūpuna, low-income families, and individuals with disabilities. Families experiencing food insecurity **skip meals, purchase less nutritious options, and reduce portion sizes**, leading to negative long-term health outcomes.

Economic Benefits of Eliminating the GET on Groceries

The vast majority of U.S. states do not tax groceries because they recognize the harm it causes to families and the economy. In recent years, multiple states have taken action:

- **Kansas** will join the growing group of 38 states that don't tax food on Jan. 1, 2025. The state sales tax has been decreasing little by little each year in phases thanks to a plan by Gov. Laura Kelly. In 2022, it was at 6.5%. In 2023, it was down to 4% and in 2024, it dropped to just 2%. Now, in 2025, there will be no state sales tax. https://www.kmbc.com/article/kansas-sales-tax-groceries-drops-to-zero-starting-2025/63294687

- **Alabama and Virginia** have also reduced or eliminated grocery taxes, implementing **phased approaches** to balance budgetary needs while providing immediate relief to residents.
  - https://vadogwood.com/2023/08/28/credit-where-credits-due-who-cut-virginias-grocery-tax/
- **Georgia's phased elimination of grocery taxes in the 1990s** resulted in **$691.4 million in household savings, 18,577 new jobs, and $1.45 billion in economic output by 2021**.
  - **Georgia State Audit Reports.** Download report

These examples show that states can remove grocery taxes **without jeopardizing their budgets**, while simultaneously **reducing food insecurity and boosting economic activity**.

Health and Social Consequences of Grocery Taxes

Taxing groceries and essential medicines contributes to **worse health outcomes**, particularly among children and vulnerable populations:

- **Higher rates of obesity, diabetes, and cardiovascular disease** as families rely on lower-cost, less nutritious foods.
- **Increased healthcare costs** due to the long-term impacts of food insecurity.
- **Negative effects on childhood development, education, and mental health** due to poor nutrition and chronic stress.

A study published in **Health Economics Review** found that **grocery taxes increase food insecurity, leading to worse health outcomes and higher healthcare costs**. Reducing the GET on groceries would provide much-needed relief, allowing families to prioritize nutrition, healthcare, and other essential expenses.

Conclusion

Hawai'i is already facing a severe food insecurity crisis, and continuing to tax groceries will only worsen the situation. Research consistently shows that **grocery taxes harm low-income families, increase food insecurity, and contribute to economic inequality**. Eliminating the GET on food and nonprescription drugs will:

- **Provide immediate financial relief to residents**
- **Reduce food insecurity and improve health outcomes**
- **Align Hawai'i's tax policy with the majority of U.S. states**
- **Stimulate the local economy by increasing consumer spending**

I respectfully urge the Legislature to pass SB1043 SD1 and remove the GET on essential groceries and nonprescription drugs, ensuring that no Hawaiʻi resident has to choose between paying taxes and feeding their family.

HOW TO PAY FOR REMVOING GET ON GROCERIES AND LOWERING TAXES:

Fiscal Impact of Eliminating the Grocery GET

Updated Calculation Using USDA Thrifty Food Plan Data

1. **TFP Data for a Household of Four:**
   a. **Monthly Spending:** $1,432
   b. Yearly Spending: $1,432 * 12 = 17,284
   c. Yearly Spending Per Person: $17,284/4 = $4,296
2. **Statewide Total Annual Grocery Spending:**
   a. With a population of approximately 1,400,000: $4,296 * 1,400,000 = 6.014 billion
3. **Adjusting for EBT Exemptions:**
   a. Not all grocery spending is tax exempt. Only purchases made with EBT (SNAP) benefits are exempt. While 11% of Hawaiʻi's residents participate in SNAP, these households typically use EBT for only a portion of their grocery spending. For this analysis, we assume that, on average, EBT payments account for about 50% of grocery spending among SNAP households.
   b. This implies that roughly 11% × 50% = **5.5%** of total grocery spending is exempt.
   c. Therefore, approximately **94.5%** of grocery spending is subject to the GET.
4. **Taxable Spending:**
   a. **0.945×$6.014 billion≈$5.684 billion**
      i. **This tracks with the U.S. Department of Agriculture, Economic Research Service *Sales of food for all purchasers with taxes and tips, by state* dataset (https://www.ers.usda.gov/data-products/food-expenditure-series) which shows Hawaii's nominal food-at-home expenditure for 2023 to be $5.51 billion.**
5. **Annual GET Revenue Calculation:**
   a. With a 4.5% GET rate: *0.045×$5.684 billion≈* ***$255.8 million***

Conclusion on Fiscal Impact:

Exempting SNAP eligible grocery purchases from the GET would result in an estimated annual revenue loss of roughly **$256 million**.

The Compelling Case for Removing Grocery Taxes

Eliminating the grocery GET would relieve households of a significant financial burden, particularly those most affected by food insecurity. Increased disposable income would allow families to afford more nutritious food and invest in other essential needs. This policy change aligns with national best practices. For example, the Georgia study provides a powerful precedent:

The Georgia Study on Removing Food Taxes

- **Policy Change:**

In the 1990s, Georgia phased out its grocery tax.

- **Economic Impact:**
  - **Household Savings:** Approximately $691.4 million in cumulative savings for households.
  - **Job Creation:** Around 18,577 new jobs were generated.
  - **Economic Output:** The state experienced an economic output boost of $1.45 billion by 2021.

These findings illustrate that removing grocery taxes can stimulate consumer spending, create jobs, and foster broader economic growth—benefits that Hawai‘i stands to gain.

Proposed Permitting Reforms as a Cost Offset and Housing Supply Catalyst

To offset the estimated $256 million annual revenue loss from eliminating the grocery tax, a series of transformative permitting reforms is proposed. These reforms not only offer a robust fiscal offset but also stimulate economic activity and help address Hawai‘i’s affordable housing crisis by increasing the supply of housing.

Key Permitting Reforms:

1. **Self-Certification by Licensed Professionals:**

    a. **What:** Allow certified architects and engineers to approve standard designs.
    b. **Benefit:** Expedites the permit issuance process and reduces delays.
2. **Statutory Timelines and Automatic Approvals:**
    a. **What:** Implement clear deadlines—30 days for residential projects and 60 days for commercial projects—with automatic approvals if deadlines are missed (subject to compliance audits).
    b. **Benefit:** Ensures timely progression of projects and minimizes bureaucratic hold-ups.

Economic and Housing Benefits:

- **Boost in Economic Activity:**

The reforms are projected to generate **$19.65 billion** in annual construction-related economic activity.

- **Interest Savings:**

Homeowners and businesses could save approximately **$7.88 billion** annually in interest payments—savings driven by faster occupancy and reduced permit delays (Honolulu County alone).

- **Enhanced Property Tax Revenue:**

Accelerated construction would boost Honolulu County's property tax revenue by about **$1 billion** annually.

- **Additional State Tax Revenue:**

Overall, these permitting reforms could generate an estimated **$2.14 billion** in extra state tax revenue per year.

- **Addressing the Affordable Housing Crisis:**

By streamlining construction processes and reducing delays, these reforms would increase the supply of housing. If Honolulu County approved permits in this fashion under the current number of permits they received a year they would process more than 5,000 more permits a year. This increased supply would drive down the cost of housing and allow the county to meet its projected growth needs in under 3 years. Maui County Fire Survivors have been waiting years for permits to rebuild, the state has instead spent millions of dollars on temporary structures. Allowing automatic approvals to rebuild within code, certified by a licensed contractor, would provide much-needed permanent homes to many displaced residents. An increased housing supply helps moderate prices and improves affordability for residents, thereby directly addressing Hawai‘i's affordable housing crisis.

Hawai‘i's reliance on imported goods, high cost of living, and persistent food insecurity make grocery taxation a regressive and unsustainable policy. Studies by Zheng et al. (2021), the World Food Policy Center (2021), and the Health Economics Review confirm that grocery taxes worsen food insecurity, disproportionately burden lower-income families, and lead to negative health and economic outcomes. Eliminating the 4.5% GET on groceries (noting that only EBT purchases are exempt and additional spending by SNAP households is taxed) would offer immediate relief to households—but would also cost the state roughly **$256 million** annually in tax revenue.

However, by adopting comprehensive permitting reforms—such as self-certification by licensed professionals, statutory timelines with automatic approvals, and enhanced staffing with digital upgrades—Hawai‘i can not only offset this revenue loss (by generating approximately **$2.14 billion** in additional annual state tax revenue) but also stimulate **$19.65 billion** in construction-driven economic activity. These reforms would result in significant interest savings (about $7.88 billion annually), boost property tax revenue by roughly $1 billion in Honolulu County, and crucially, increase the supply of affordable housing.

Legislators should prioritize economic equity by eliminating the regressive grocery tax and implementing these permitting reforms. This integrated strategy ensures that no resident must choose between paying taxes and affording basic necessities while paving the way for a more vibrant, affordable, and prosperous Hawai‘i.

Analysis of County and State Tax Revenue, Homeowner and Business Cost Savings and Economic Benefits from Streamlined Permitting

A. Number of Private Sector Permits by Occupancy Group, 2022-2023

Occupancy group	Year 2022			Year 2023		
	Number of permits issued	Total value of permits issued	Avg # of days to Issue	Number of permits issued	Total value of permits issued	Avg # of days to Issue
01 - Single Family	11,592	$530,990,256	62	12,414	$550,986,015	66
02 - Two Family	258	$45,590,202	266	313	$38,684,241	266
03 - Apartment	595	$883,123,922	242	401	$602,919,002	371
04 - Hotel	37	$45,969,360	342	43	$45,981,026	359

05 - Amusement, recreation	23	$10,259,546	301	30	$24,077,950	425
06 - Church	23	$15,595,411	475	12	$4,386,000	510
07 - Industrial	35	$13,247,563	276	73	$138,309,190	407
08 - Garage (public)	3	$18,198,230	635	2	$250,000	662
09 - Garage (private)	7	$2,247,795	280	7	$69,660,000	124
10 - Service Station	10	$943,292	395	8	$3,405,000	266
11 - Institution	26	$21,281,399	477	24	$16,559,132	308
12 - Office Building	214	$179,305,392	278	239	$73,207,845	286
13 - Public Building	6	$629,005	352			
14 - Public Utility Building	1	$590,000	1,071			
15 - School	27	$6,319,416	350	61	$33,191,089	381
16 - Shed	3	$214,000	514	8	$2,081,117	416
17 - Stable, barn	0	0	0	3	$1,542,999	370
18 - Store	266	$78,213,366	269	317	$118,120,925	236
19 - Other non-residential	169	$90,009,889	337	224	$389,418,940	377
20 - Structure other than building & unclassified	523	$146,209,412	284	418	$599,775,294	353
21 - Other: Reroofing only	4	$2,719,048	21	60	$5,651,702	9

Source: Department of Planning and Permitting (DPP), City and County of Honolulu. READ estimates.

Property taxes:

https://www.hawaiirealestatesearch.com/property-taxes

Economic Impact of Permitting Delays in Honolulu County

Introduction

Permitting delays in Honolulu County imposes substantial financial costs on developers, homeowners, and local governments. This report quantifies the financial impact of these delays, including lost interest costs for builders, lost construction fees, and lost property tax revenue. Using data from the Department of Planning and Permitting (DPP) and real estate sources, this analysis provides an updated assessment incorporating realistic land and construction costs. We did not have data from other counties, so this estimate is for Honolulu only.

Methodology

Step 1: Estimating Total Property Cost

Total property cost is calculated using the following formula:

Total Property Cost = Average Square Footage per Project × (Construction Cost per Sq. Ft. + Land Value per Sq. Ft.) × Permits Issued

Step 2: Estimating Lost Interest to Builders

Lost interest is calculated using the following formula:

Lost Interest = Total Property Cost × 8% × (Avg Days to Issue / 365)

Step 3: Estimating Lost Construction Fees

Lost construction fees are calculated as:

Lost Construction Fees = Total Property Cost × 0.5%

Step 4: Estimating Lost Property Tax Revenue

Lost property tax revenue is calculated as:

Lost Property Tax Revenue = Total Property Cost × Property Tax Rate per $1,000 Assessed Value

These calculations incorporate an average land value of $718 per square foot for Honolulu, sourced from Redfin and Realtor.com. Property tax rates are applied based on category-specific rates from Hawaii Real Estate Search.

Financial Impact by Occupancy Group (Honolulu)

Occupancy Group	Permits Issued	Total Property Cost ($)	Lost Interest ($)	Lost Construction Fees ($)	Lost Property Tax Revenue ($)
Single Family	12414	$30,240,504,000.00	$437,451,674.30	$62,070,000.00	$136,082,268.00
Two Family	313	$1,096,752,000.00	$63,942,144.00	$2,112,750.00	$4,935,384.00
Apartment	401	$44,831,800,000.00	$3,645,500,887.67	$80,200,000.00	$524,532,060.00
Hotel	43	$2,833,700,000.00	$222,969,490.41	$6,450,000.00	$32,729,235.00
Amusement, recreation	30	$913,500,000.00	$85,093,150.68	$1,875,000.00	$8,997,975.00
Church	12	$201,240,000.00	$22,494,772.60	$360,000.00	$613,782.00
Industrial	73	$3,410,560,000.00	$304,240,640.00	$6,570,000.00	$36,492,992.00
Garage (public)	2	$11,180,000.00	$1,622,172.05	$20,000.00	$90,558.00
Garage (private)	7	$9,391,200.00	$255,234.81	$16,800.00	$76,068.72

Service Station	8	$18,688,000.00	$1,089,536.00	$36,000.00	$199,961.60
Institution	24	$560,640,000.00	$37,847,040.00	$1,080,000.00	$1,709,952.00
Office Building	239	$8,733,060,000.00	$547,431,267.95	$17,925,000.00	$93,443,742.00
School	61	$3,562,400,000.00	$297,484,800.00	$6,862,500.00	$10,865,320.00
Store	317	$7,405,120,000.00	$383,037,440.00	$14,265,000.00	$79,234,784.00
Other non-residential	224	$22,142,400,000.00	$1,829,629,545.21	$50,400,000.00	$236,923,680.00

Key Financial Totals

Total Property Cost (Land + Construction): $125,970,935,200.00

Lost Interest to Builders (homeowners and businesses): $7,880,089,795.68

Lost Construction Fees: $250,243,050.00

Lost Property Tax Revenue for Honolulu: $1,166,927,762.32

Commentary and Economic Insights

1. Single-Family Homes & Apartments Dominate Financial Losses

- Single-family homes have the highest permit volume and contribute the largest share of lost interest and construction fees. Homeowners lost a total of $437,451,674.30 due to permitting delay on interest alone.

- Apartment projects experience the highest lost interest due to extended approval delays and high total costs.

2. Commercial and Institutional Projects Also Face Major Losses

- Office Building delays alone cost developers over $547,431,267.95 million in lost interest in Honolulu County.

- Industrial, school, and other delays further reduce economic activity.

3. Impact on Local Government Revenue

- Approximately $1 billion in lost property tax revenue for Honolulu.

- $400 million in lost construction fees that could fund public services and infrastructure.

Sources

1. Department of Planning and Permitting, City and County of Honolulu (2023): Permitting data, project values, and delay durations.

2. Real Estate Market Data (Redfin & Realtor.com): Land value estimates for Honolulu.

3. Hawaii Real Estate Search: Property tax rate data for Honolulu.

4. Economic Modeling Assumptions: Financing interest rate (8%), property tax rates per category, permit fee rate (0.5%).

Increased Housing Supply

Current and Projected Permit Approvals

According to Civil Beat, **Honolulu currently approves approximately 15,000 building permits annually** with approximately 20,000 permits being submitted, resulting in 5,000 unapproved permits per year. With permitting reforms, this figure could increase to **20,000 permits per year**, resulting in a **net increase of 10,000 permits annually**.

- **Honolulu Current Annual Permits:** 15,000
- **Honolulu Post-Reform Projected Permits (the number currently submitted per year):** 20,000
- **Honolulu Projected Increased Permit Approvals Annually:** 5,000
- **State Estimated Increased Permit Approvals Annually:** 10,000
- **Total Additional Units Over 5 Years:** ~50,000

Housing Demand Based on DBEDT Report

The **Hawaii Housing Demand Report (DBEDT, 2019)** projects **Honolulu County will need between 10,402 and 21,392 new housing units over 10 years**, depending on population growth trends. For the **State of Hawaii** the Report states, "based on the projected population, the housing units needed are 25,737 units for the Low Scenario and 46,573 units for the High Scenario. The average of the two scenarios is a total of **36,155 units** demanded for 2020-2030."

- **Low Scenario Honolulu (0.25% population growth): 10,402 units needed (2020–2030)**
- **High Scenario Honolulu (Pre-2016 Growth Trend): 21,392 units needed (2020–2030)**
- **Average Demand Scenario Honolulu: 15,897 units over 10 years (1,590 units per year)**

Under permitting reforms used successfully in other states and place a maximum wait time of 30 – 60 days for permit approval and allow for self-certification by licensed professionals in 24-48 hours, using a conservative estimate based on actual unapproved contracts, **the State's projected new supply would increase by 10,000 units per year. This would exceed demand projections—helping alleviate the housing shortage and reducing upward pressure on home prices**.

Housing Price Reductions

Economic modeling suggests that increasing housing supply by **10,000 additional units annually** could slow **price escalations by 5–10% over five years**. While housing affordability is impacted by multiple factors, greater supply helps stabilize rising prices.

- **Estimated Housing Price Reduction Over 5 Years: 5–10%**

Analysis of Construction Projects and State Tax Revenue (10,000 New Projects per Year)

Based on the allocation of 10,000 new projects per year across residential and commercial categories, here are the updated construction values and tax impacts:

1. Project Allocation and Construction Value Breakdown

Occupancy Group	Allocated Projects	Estimated Construction Value ($)
Single Family	8,976	13.46 billion
Two Family	226	271.58 million
Apartment	290	139.18 million
Office Building	173	1.30 billion
Industrial	53	1.19 billion
Amusement, recreation	22	244.03 million
Store	229	2.58 billion
Hotel	31	466.38 million

Summary

- **General Excise Tax (GET):** $884.15 million
- **Corporate Income Tax:** $1.26 billion
- **Total State Tax Revenue:** $2.14 billion annually

These results indicate that with streamlined permitting leading to 10,000 new projects annually, the state can expect significant construction-driven tax revenues.

To estimate the **construction value** for each occupancy group, we used the following formula:

$\text{Estimated Construction Value} = \text{Allocated Projects} \times \text{Average Size per Project (sq. ft.)} \times \text{Construction Cost per sq. ft.}$

Step-by-Step Breakdown

1. **Project Allocation:**
    a. We allocated the 10,000 new projects per year across different categories (Single Family, Two Family, Apartment, etc.) based on their percentage share from the original DPP permit data.

For example:

Single Family allocation:

$\text{Percentage share} = 12{,}414 / (12{,}414+313+401+239+73+30+317+43) \approx 89.76\%$

- Allocated projects: $10{,}000 \times 0.8976 = 8{,}976$ projects

Average Project Size (sq. ft.):

We used typical size estimates for each project type based on construction standards:

b. Single Family: 2,500 sq. ft.
c. Two Family: 2,000 sq. ft.
d. Apartment: 800 sq. ft.
e. Office Building: 10,000 sq. ft.
f. Industrial: 30,000 sq. ft.

g. Amusement/Recreation: 15,000 sq. ft.
h. Store: 15,000 sq. ft.
i. Hotel: 20,000 sq. ft.

2. **Construction Cost per sq. ft.:**
    j. **Residential construction (Single Family, Two Family, Apartment):** $600 per sq. ft.
    k. **Commercial construction (Office Building, Industrial, etc.):** $750 per sq. ft.

Example Calculation for Single Family Homes

- **Allocated Projects:** 8,976
- **Average Size per Project:** 2,500 sq. ft.
- **Construction Cost per sq. ft.:** $600

Construction Value (Single Family) = 8,976×2,500×600 = 13.46 billion

Proposed Reforms

1. **Self-Certification by Licensed Professionals**:
    a. Allow certified architects and engineers to approve standard designs, expediting permit issuance.

2. **Statutory Timelines and Automatic Approvals**:
    a. Impose clear deadlines (e.g., 30 days for residential and 60 days for commercial projects).
    b. Automatically approve permits after deadlines lapse, subject to compliance audits.

By adopting these reforms, **the State of Hawaii would generate 19.65 billion in annual construction driven economic activity. We would save homeowners and businesses $7.88 billion in annual interest payments paid while properties are not usable due to delays in Honolulu County alone. Honolulu county would increase Property Tax**

Revenue by approximately $1 billion annually. Total State Tax Revenue generated by permitting reforms above would be approximately $2.14 billion annually. These changes would significantly enhance **housing affordability, government revenue, and economic growth**.

This integrated strategy—eliminating the grocery GET while implementing transformative permitting reforms—provides a compelling pathway to reduce food insecurity, promote affordable housing, and enhance Hawai‘i’s overall economic resilience.

Mahalo for the opportunity to testify.

Additional Sources:
https://business.cornell.edu/hub/2021/05/18/researchers-find-grocery-taxes-harm-low-income-households/
https://www.audits.ga.gov/ReportSearch/download/28852
https://wfpc.sanford.duke.edu/research/grocery-food-taxes-and-evidence-for-food-security-policy-makers/
https://news.cornell.edu/stories/2021/05/study-grocery-taxes-increase-likelihood-food-insecurity
https://www.fns.usda.gov/snap/thriftyfoodplan

HBCTC

HAWAII BUILDING & CONSTRUCTION TRADES COUNCIL

February 24, 2025

Chair Donovan Dela Cruz
Senate Committee Ways and Means

<u>RE: SB1043, SD1 – RELATING TO TAXATION</u>

Aloha Chair Dela Cruz, Vice-Chair Moriwaki, and members of the Committee:

My name is Gino Soquena, Executive Director of the Hawaii Building & Construction Trades Council (HBCTC) which represents 18 construction trade unions here in Hawaii. Testifying in **STONG SUPPORT** of **SB1043, SD1**. This bill represents a crucial step toward reducing the financial burden and promoting recovery and economic stability during a time which for Hawaii's residents.

Hawaii is one of the most expensive places to live in the United States and currently imposes one of the highest tax burdens on low-income households in the nation. The high cost of living, high taxes, and lack of affordable housing are resulting in local families being forced to move and leave their homes and relocate to the mainland where the cost of living is cheaper.

Although we support SB 1043, SD1, we would like the committee to consider the original version of SB 1043, as the SD1 version provides no funding source for the cost of living relief provided.

The original version of SB 1043 adopts a multi-pronged approach to alleviate the tax burden and enhance economic equity, by:

1. Exempting groceries and nonprescription drugs from the general excise tax (GET);
2. Removing tax liability on the first $100,000 of individual income and for unemployment compensation benefits;

3. Increasing the minimum income threshold for the low-income household renters' income tax credit;

4. Establishing a Maui Recovery Special Fund; and

5. Incrementally increasing the GET rate over four years.

These tax breaks and exemptions would allow families to redirect resources toward housing, education, and other critical needs while stimulating the local economy through increased spending. Although the GET would increase over four years, this would provide the funding for the tax breaks and also allow some of the tax revenue burden to be passed on to non-residents.

SB1043 reflects a forward-thinking approach to a tax policy that prioritizes fairness, affordability, and resilience. By addressing the regressive nature of Hawaii's current tax system, reducing the cost of living, and providing targeted relief to Maui residents, this legislation demonstrates a commitment to the well-being of all Hawaii residents.

I strongly urge the committee to support the original version of SB 1043 and recommend its passage to ensure a more equitable and prosperous future for the people of Hawaii. Thank you for the opportunity to testify.

Mahalo Nui Loa,

Gino Soquena
Executive Director
Hawai'i Building & Construction Trades Council

1200 Ala Kapuna Street ● Honolulu, Hawaiʻi 96819
Tel: (808) 833-2711 ● Fax: (808) 839-7106 ● Web: www.hsta.org

Osa Tui, Jr.
President

Logan Okita
Vice President

Cheney Kaku
Secretary-Treasurer

Ann Mahi
Executive Director

TESTIMONY TO THE SENATE COMMITTEE ON WAYS AND MEANS

Item: SB 1043, SD1 – Relating to Taxation

Position: Support with Amendments

Hearing: Thursday, February 27, 2025, 10:30 am, Room 211

Submitter: Osa Tui, Jr., President - Hawaiʻi State Teachers Association

Dear Chair Dela Cruz, Vice Chair Moriwaki and members of the committee,

The Hawaii State Teachers Association (HSTA) **supports** SB 1043's **original language** which provides relief to working families in Hawaiʻi who are struggling to make ends meet. The bill's **original** provisions are thoughtfully designed to alleviate the financial burden on low- and middle-income households, while also generating much-needed revenue for the state.

SB 1043's **original** language offers several key benefits to working families. It exempts groceries and nonprescription drugs from the general excise tax (GET), putting money back into the pockets of working families and individuals. It eliminates the state income tax for the first $100,000 earned, providing significant tax relief for individuals and families. Furthermore, SB 1043 removes the state income tax on unemployment compensation benefits, providing a safety net for those who have lost their jobs. It doubles the standard deduction for individuals earning less than $100,000 and joint filers earning less than $200,000, significantly reducing their tax liability. In addition, SB 1043 increases the minimum income threshold exemption amount for the Low-Income Renters Tax Credit, making more families eligible for this valuable credit. Lastly, SB 1043 incrementally increases the GET over four years to 6%, with the additional revenue going to the general fund and a special fund for Maui recovery. This balanced approach ensures that essential state services can be maintained while also providing dedicated resources for rebuilding efforts on Maui.

The revenue generated from the increased GET will be instrumental in supporting critical state services such as education, healthcare, and infrastructure. It will also provide vital funding for Maui's recovery efforts following the devastating wildfires. By strategically utilizing the increased revenue, Hawaiʻi can strengthen its economy, improve the lives of its residents, and build a more resilient future.

We recommend passage of SB 1043 **amended to its original language** which would provide much-needed relief to working families in Hawaiʻi.

Mahalo.

Testimony to the Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Thursday, February 27, 2025, at 10:30AM
Conference Room 211 & Videoconference

RE: SB1043 SD1 Relating to Taxation

Aloha e Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 1043 Senate Draft 1 (SB1043 SD1), which exempts the sale of groceries and nonprescription drugs from the general excise tax.

SB1043 SD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Business Services. This bill promotes policies that drive economic growth, enhance workforce opportunities, and improve the quality of life for Hawaii's residents.

Reducing the cost of essential goods is crucial to supporting Hawaii residents, especially as the state faces a high cost of living and economic challenges. This bill aims to provide financial relief by exempting groceries and nonprescription drugs from Hawaii's general excise tax (GET). The grocery exemption applies to all products eligible for purchase with Supplemental Nutrition Assistance Program (SNAP) benefits, ensuring tax relief for essential food items. Similarly, the exemption for nonprescription drugs covers over-the-counter medications and treatments recognized by federal pharmacopoeias or intended for medical use. By removing these taxes, the bill seeks to lower household expenses and make basic necessities more affordable.

Eliminating GET on groceries and nonprescription drugs helps reduce the financial burden on families, seniors, and low-income individuals struggling with Hawaii's high cost of living. It also supports public health by lowering the cost of essential medications. By making necessities more accessible, this bill promotes economic stability and improves residents' quality of life. The Chamber supports this bill as it provides meaningful tax relief, helps local families afford everyday essentials, and strengthens the financial well-being of Hawaii's communities.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass Senate Bill 1043 Senate Draft 1. Thank you for the opportunity to testify.

733 Bishop Street, Suite 1200, Honolulu, HI 96813 | (808) 545-4300 | info@cochawaii.org | www.cochawaii.org

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for Groceries and Nonprescription Drugs

BILL NUMBER: SB 1043 SD 1

INTRODUCED BY: Senate Committees on Health and Human Services and Labor

EXECUTIVE SUMMARY: Exempts the sale of groceries and nonprescription drugs from the general excise tax.

SYNOPSIS: Adds two new exclusions from the general excise tax in Chapter 237,HRS, for gross proceeds or gross income received from the sale of groceries and nonprescription drugs.

Defines "Groceries" as products eligible to be purchased with the U.S. Department of Agriculture's Supplemental Nutrition Assistance Program benefits.

Defines "drug" as:

(1) Articles recognized in the official United States Pharmacopoeia, official United States Pharmacopoeia Dispensing Information, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, or any supplement to any of these publications;

(2) Articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in humans or animals;

(3) Articles, other than food or clothing, intended to affect the structure or any function of the body of humans or animals; or

(4) Articles intended for use as a component of any article specified in paragraph (1), (2), or (3).

However, "drug" does not include devices or their components, parts or accessories, cosmetics, or liquor as defined in section 281-1.

"Nonprescription drug" is defined as any packaged, bottled, or nonbulk chemical, drug, or medicine that may be lawfully sold without a practitioner's order.

EFFECTIVE DATE: December 31, 2050.

STAFF COMMENTS: Food stamps and related payments such as under the Special Supplemental Nutrition Program for Women, Infants, and Children (known as WIC) are now exempt from general excise tax under HRS section 237-24.3(5) and the Department of Taxation has interpreted this exemption as covering payments under the SNAP program as well.

Similarly, the GET law has since 1986 exempted the sale of prescription drugs and prosthetic devices. Act 47, SLH 2024, exempted healthcare related goods or services purchased under Medicare, Medicaid, or TRICARE.

This bill is intended to address the high cost of living in Hawaii by proposing an exemption from the general excise tax on products consumed in Hawaii on a daily basis. The GET exemption for all groceries eligible for WIC and SNAP, even if not purchased with a SNAP card, presumably targets healthy food for consumption, even if the buyer is above the income requirements for SNAP. The exemption for nonprescription drugs presumably is done to promote health care.

Digested: 2/24/2025

Iron Workers Stabilization Fund

T. George Paris
Managing Director

February 26, 2025

Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Members of the Senate Committee on Ways & Means
Thirty-Third Legislature, Regular Session of 2025

RE: **STRONG SUPPORT** for SB 1043, SD1 – Relating to Taxation

Hearing Date: February 27, 2025 at 10:30 AM

Aloha Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee,

Mahalo for the opportunity to submit testimony on behalf of the Hawaii Ironworkers Stabilization Fund in **STRONG SUPPORT** of SB 1043 – RELATING TO TAXATION. This bill represents a crucial step toward reducing the financial burden and promoting recovery and economic stability during a difficult time for Hawaii's residents. We need your support now!

Hawaii is one of the most expensive places to live in the United States and currently imposes one of the highest tax burdens on low-income households in the nation. According to the Institute on Taxation and Economic Policy, the State's lowest-income households pay more than 14% of their income in state and local taxes on average, compared to just around 10% for the highest-earning households.[i] This disparity underscores the urgent need for reforms to ensure that Hawaii's tax system does not disproportionately impact those who are already struggling to make ends meet.

The State's high cost of living further compounds these challenges. The National Low Income Housing Coalition's *Out of Reach 2023* report reveals that a minimum-wage worker in Hawaii must work almost 100 hours per week to afford a one-bedroom rental at fair market prices.[ii] For a two-bedroom residence, an hourly wage of about $44.60 is required to avoid being cost-burdened. In addition to housing, the costs of utilities, groceries, and other necessities have skyrocketed over the past five years, placing further strain on families, particularly those in low- and middle-income brackets.

The high cost of living, high taxes, and lack of affordable housing is resulting in local families, especially Native Hawaiians, have been forced to move leave their homes and families, and a steady population decline in the state since 2016.

Although we support SB 1043, SD1 we would recommend the original version of SB 1043 as the SD1 version provides no funding source for the cost of living relief provided.

The original version of SB 1043 adopts a multi-pronged approach to alleviate the tax burden and enhance economic equity, by

1. Exempting groceries and nonprescription drugs from the general excise tax (GET);

2. Removing tax liability on the first $100,000 of individual income and for unemployment compensation benefits;

3. Increasing the minimum income threshold for the low-income household renters' income tax credit;

4. Establishing a Maui Recovery Special Fund; and

5. Incrementally increasing the GET rate over four years to 6%.

These tax breaks and exemptions would allow families to redirect resources toward housing, education, and other critical needs while stimulating the local economy through increased spending. Although the GET would increase over four years, this would provide the funding for the tax breaks and also allow some of the tax revenue burden to be passed on to non-residents.

SB 1043 reflects a forward-thinking approach to tax policy that prioritizes fairness, affordability, and resilience. By addressing the regressive nature of Hawaii's current tax system, reducing the cost of living, and providing targeted relief to Maui residents, this legislation demonstrates a commitment to the well-being of all Hawaii residents.

I strongly urge the committee to support the original version of SB 1043 and recommend its passage to ensure a more equitable and prosperous future for the people of Hawaii.

Mahalo,

T. George Paris
Managing Director

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[i] Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, 7th Edition, January 2024; Institute on Taxation and Economic Policy. Available at: https://static1.squarespace.com/static/601374ae84e51e430a1829d8/t/659db3ef0f6c9b1a4c69dc50/1704834044910/Who+Pays+7th+edition+final.pdf.

[ii] National Low Income Housing Coalition, Hawaii State Report. Available at: https://nlihc.org/oor/state/hi.

OPERATIVE PLASTERERS' AND CEMENT MASONS' INTERNATIONAL ASSOCIATION LOCAL #630, AFL-CIO
2251 North School Street • Honolulu, HI 96819
Phone No.: (808) 841-0491 • Fax No.: (808) 847-4782

TO: HAWAII STATE SENATE COMMITTEE ON WAYS AND MEANS

SUBJECT: TESTIMONY IN SUPPORT OF SB1043 RELATING TO TAXATION

Hearing

DATE: Thursday, February 27, 2024
TIME: 10:30apm

Aloha Honorable Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members,

The Operative Plasterers' and Cement Masons' International Association Local 630 (OPCMIA Local 630) is a trade union of over 900 plasterers and cement masons. Plasterer members of the union finish interior walls and ceilings of buildings and apply plaster on masonry, metal, and wire lath or gypsum. While cement mason members are responsible for all concrete construction, including the pouring and finishing of slabs, steps, wall tops, curbs and gutters, sidewalks, and paving. Local 630 is proud to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

Financial Secretary-Treasurer & Business Manager of OPCMIA Local 630, Peter T. Iriarte, and the members of OPCMIA Local 630 stand in strong support of SB1043 which exempts the sale of groceries and nonprescription drugs from the general excise tax.

The State's cost of living continues to be burdensome for its residents and, in particular, for our members who are hard at work doing their best to provide for themselves and for their families. The rising cost of housing, the costs of utilities, groceries, and other everyday items have also increased significantly within the last five years making the struggle all the more difficult. Eliminating the general excise tax on groceries and nonprescription drugs would ease the tax burden on residents and lessen the burden on our members and their families.

Thank you for the opportunity to submit testimony in support of SB1043.

ABC Stores
766 Pohukaina Street
Honolulu, Hawaii 96813-5391
www.abcstores.com

Telephone: (808) 591-2550
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E-mail: mail@abcstores.com

February 25, 2025

Chair Donovan M. Dela Cruz
Vice Chair Sharon Y. Moriwaki
Senate Committee on Ways and Means
State Capitol
February 27, 2025
Conference Room 211 at 10:30 AM

Testimony in Support of SB 1043 SD1 Relating to Taxation

I am submitting testimony on behalf of ABC Stores in **strong support of Senate Bill 1043 SD1**, which proposes the elimination of the General Excise Tax (GET) on groceries and nonprescription drugs. This measure will provide essential financial relief to Hawaiʻi residents, reduce food insecurity, and stimulate economic growth—all while maintaining state fiscal responsibility through permitting reform revenue offsets.

The Urgent Need for GET Reform on Groceries and Essential Goods:

- Hawaiʻi's cost of living is one of the highest in the nation, and families are struggling to afford basic necessities.
- Nearly 30% of Hawaiʻi households were food insecure in 2023, according to the Hawaiʻi Foodbank. Hawaiʻi Island faces an even higher rate of 40% food insecurity, as reported by The Food Basket.
- Hawaiʻi's 4.5% GET on groceries adds approximately $773 per year to a family of four's grocery bill under the USDA Thrifty Food Plan—forcing many families to make impossible choices between rent, utilities, and food.
- Taxing food is regressive—it disproportionately impacts low-income families, kūpuna, and individuals with disabilities, further deepening economic inequality.

The Harm of Grocery Taxes: Data-Driven Evidence

- Research confirms that grocery taxes directly increase food insecurity:
    - A 1% increase in grocery taxes raises food insecurity by 0.84% (Duke University, World Food Policy Center).
    - States with grocery taxes of 4% or more see a 3% rise in food insecurity (Food Research & Action Center).
    - Jurisdictions that impose grocery taxes rank among the most food insecure in the U.S. (Cornell University, Food Policy Study).
    - Grocery taxes lead to negative health outcomes:
        - Increased rates of obesity, diabetes, and cardiovascular disease as families opt for lower-cost, less nutritious foods.
        - Higher healthcare costs, further straining Hawaiʻi's medical infrastructure.

Other States Have Successfully Eliminated Grocery Taxes

- Kansas is eliminating its 6.5% state sales tax on groceries by 2025, using a phased approach to maintain fiscal stability.

- Georgia's repeal of grocery taxes resulted in:
  - $691.4 million in household savings,
  - 18,577 new jobs, and
  - $1.45 billion in economic growth.
- Alabama & Virginia have also reduced or eliminated grocery taxes, recognizing their disproportionate burden on working families.

Funding the GET Exemption Through Permitting Reform Revenue.

Eliminating the GET on groceries will cost the state approximately $256 million annually. However, permitting reform will more than offset this revenue loss by generating billions in economic activity and increasing state tax collections. SB 66 passed all Senate committees - this bill sets a 60-day limit and will do a lot to generate tax revenue for the state. We recommend including all categories of permitting with a 30-day limit for residential and a 60-day limit for commercial. As is the case in many jurisdictions, audits can be performed after permit approval to ensure compliance without costly delays.

- Delays in permitting cost Hawai‘i's economy billions annually:
  - Lost construction-related economic activity: $19.65 billion per year.
  - Lost interest payments for homeowners and businesses: $7.88 billion annually (Honolulu County alone).
  - Lost Honolulu County property tax revenue: $1 billion per year.
  - State tax revenue increases from streamlined permitting:
    - General Excise Tax (GET) from construction: $884.15 million per year.
    - Corporate Income Tax: $1.26 billion per year.
    - Total additional state revenue from permitting reform: $2.14 billion annually.

By implementing comprehensive permitting reform, Hawai‘i will unlock economic growth, accelerate housing development, and generate more than $2 billion annually in new state tax revenue—far exceeding the $256 million cost of eliminating the GET on groceries.

In passing SB 1043 SD1, the Legislature will provide immediate financial relief to families struggling with food costs, reduce food insecurity and improve public health, stimulate economic growth through increased consumer spending, and leverage permitting reform to offset revenue loss without cutting services.

I respectfully urge the committee to pass SB 1043 SD1 and eliminate the GET on groceries and nonprescription drugs while advancing permitting reforms that will strengthen Hawai‘i's economy.

Mahalo,

John Mark Mageo
Employee Relations and Government Affairs Manager
(808) 597-3312
jmageo@abcstores.com

Testimony in Support of SB1043 SD1

Members of the Legislature,

The Libertarian Party of Hawaii is in support of the amended bill. The original version of this bill included incremental increases in the general excise tax and proposed complex tax credits and deductions, which would have raised the overall tax burden on residents.

The amended version focuses on key exemptions for groceries and nonprescription drugs, an essential relief from undue taxation. Through these exemptions, we can lessen the financial burden on Hawaiians.

This approach adequately streamlines the legislation and promotes individual freedom by allowing citizens to retain more of what they've rightfully earned.

We urge you to support this amended bill to reduce unnecessary taxation and improve the economic well-being of Hawaii.

Thank you for your consideration, and a special mahalo to those who appropriately corrected this measure,

Abbra Green
LPHIsecretary@gmail.com
[Libertarian Hawaii Secretary]

GRASSROOT
INSTITUTE OF HAWAII

1050 Bishop St. #508
Honolulu, HI 96813
808-864-1776
info@grassrootinstitute.org

Removing barriers to Hawaii's prosperity

Feb. 27, 2025, 10:30 a.m.
Hawaii State Capitol
Conference Room 211 and Videoconference

To: Senate Committee on Ways and Means
Sen. Donovan Dela Cruz, Chair
Sen. Sharon Moriwaki, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: SB1043 SD1 — RELATING TO TAXATION

Aloha Chair Dela Cruz, Vice-Chair Moriwaki and other members of the Committee,

The Grassroot Institute of Hawaii **supports** SB1043 SD1, which would exempt from the general excise tax groceries and over-the-counter medications.

This is a good bill, one that would make an immediate difference when it comes to addressing Hawaii's high cost of living. Research shows that taxes on groceries contribute to less spending on meals at home[1] and higher food insecurity,[2] so exempting groceries would go a long way toward making Hawaii more affordable for struggling Hawaii residents.

In addition, the state's 4% general excise tax is regressive, hitting low and middle-income individuals and families the hardest, so again, an exemption affecting many of these families would help them keep food on their tables.

[1] Diansheng Dong and Hayden Stewart, "Food Taxes and Their Impacts on Food Spending," U.S. Department of Agriculture, Economic Research Service, September 2021, p. 7.
[2] Jianqiang Zhao, "Putting Grocery Food Taxes on the Table: Evidence for Food Security Policy-Makers," Master's thesis, Cornell University, August 2020, p. iii.

This bill would also have broader benefits. In Georgia, for example, the state auditor recently estimated that Georgia's sales tax exemption for groceries created more than 5,000 jobs and an additional $807 million in economic output.[3]

For anyone concerned that tourists might be the primary beneficiaries of changes to the GET, SD1043 SD1 limits the proposed exemption to only groceries eligible for purchase under the federal Supplemental Nutrition Assistance Program. The bill would retain the excise tax on restaurants, and thus a significant amount of visitor food spending.

In 2022, the Hawaii Department of Taxation director estimated that exempting groceries from the general excise tax could save taxpayers $268 million,[4] giving everyone relief from Hawaii's cost of living.

Regarding nonprescription medications and medical equipment and supplies, a GET exemption for these products would simply be in keeping with the logic behind the state's existing exemption for prescription drugs and prosthetics.[5]

If this bill is enacted, nonprescription medicines such as Tylenol and Advil would suddenly cost less, making it easier for many individuals suffering from everyday health conditions to find relief and save money.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

[3] "Tax Incentive Evaluation: Grocery Sales Tax Exemption," Georgia Department of Audits and Accounts, Dec. 13, 2022.
[4] Isaac Choy, "Column: GET not as regressive as some believe," Honolulu Star-Advertiser, July 24, 2022.
[5] "Hawaii General Excise & Use Tax Exemptions: Tax Year 2021," Hawaii Department of Taxation, Nov. 2022, p. 6.

Boteilho Hawaii Enterprises Inc.
PO Box 190
Hawi, HI 96719-0190

Committee: Senate Committee on Ways and Means
Hearing Date: February 27, 2025

SB 1043

RELATING TO TAXATION

I am submitting testimony in **strong support of Senate Bill 1043 SD1**, which proposes the elimination of the General Excise Tax (GET) on groceries and nonprescription drugs. This measure will provide essential financial relief to Hawai'i residents, reduce food insecurity, and stimulate economic growth—all while maintaining state fiscal responsibility through permitting reform revenue offsets.

The Urgent Need for GET Reform on Groceries and Essential Goods:

- Hawai'i's cost of living is one of the highest in the nation, and families are struggling to afford basic necessities.
- Nearly 30% of Hawai'i households were food insecure in 2023, according to the Hawai'i Foodbank. Hawai'i Island faces an even higher rate of 40% food insecurity, as reported by The Food Basket.
- Hawai'i's 4.5% GET on groceries adds approximately $773 per year to a family of four's grocery bill under the USDA Thrifty Food Plan—forcing many families to make impossible choices between rent, utilities, and food.
- Taxing food is regressive—it disproportionately impacts low-income families, kūpuna, and individuals with disabilities, further deepening economic inequality.
- The Harm of Grocery Taxes: Data-Driven Evidence Research confirms that grocery taxes directly increase food insecurity:
    - A 1% increase in grocery taxes raises food insecurity by 0.84% (Duke University, World Food Policy Center).
    - States with grocery taxes of 4% or more see a 3% rise in food insecurity (Food Research & Action Center).
    - Jurisdictions that impose grocery taxes rank among the most food insecure in the U.S. (Cornell University, Food Policy Study).
- Grocery taxes lead to negative health outcomes:
    - Increased rates of obesity, diabetes, and cardiovascular disease as families opt for lower-cost, less nutritious foods.
    - Higher healthcare costs, further straining Hawai'i's medical infrastructure.
- Other States Have Successfully Eliminated Grocery Taxes:
    - Kansas is eliminating its 6.5% state sales tax on groceries by 2025, using a phased approach to maintain fiscal stability.
    - Georgia's repeal of grocery taxes resulted in: $691.4 million in household savings, 18,577 new jobs, and $1.45 billion in economic growth.
    - Alabama & Virginia have also reduced or eliminated grocery taxes, recognizing their disproportionate burden on working families.
- Funding the GET Exemption Through Permitting Reform Revenue

Eliminating the GET on groceries will cost the state approximately $256 million annually. However, permitting reform will more than offset this revenue loss by generating billions in economic activity and increasing state tax collections. SB 66 passed all Senate committees - this bill sets a 60-day limit and will do a lot to generate tax revenue for the state. We recommend including all categories of permitting with a 30-day limit for residential and a 60-day limit for commercial. As is the case in many jurisdictions, audits can be performed after permit approval to ensure compliance without costly delays.

- Delays in permitting cost Hawaiʻi's economy billions annually:
    - Lost construction-related economic activity: $19.65 billion per year.
    - Lost interest payments for homeowners and businesses: $7.88 billion annually (Honolulu County alone).
    - Lost Honolulu County property tax revenue: $1 billion per year.
- State tax revenue increases from streamlined permitting:
    - General Excise Tax (GET) from construction: $884.15 million per year.
    - Corporate Income Tax: $1.26 billion per year.
    - Total additional state revenue from permitting reform: $2.14 billion annually.

By implementing comprehensive permitting reform, Hawaiʻi will unlock economic growth, accelerate housing development, and generate more than $2 billion annually in new state tax revenue—far exceeding the $256 million cost of eliminating the GET on groceries.
Conclusion: SB 1043 is a Win-Win for Hawaiʻi

Hawaiʻi can afford to stop taxing food—our families can't afford to keep paying it.

By passing SB 1043 SD1, the Legislature will:
✓ Provide immediate financial relief to families struggling with food costs.
✓ Reduce food insecurity and improve public health.
✓ Stimulate economic growth through increased consumer spending.
✓ Leverage permitting reform to offset revenue loss without cutting services.

I respectfully urge the committee to pass SB 1043 SD1 and eliminate the GET on groceries and nonprescription drugs while advancing permitting reforms that will strengthen Hawaiʻi's economy.

Mahalo for the opportunity to testify.

Sincerely,

Bahman Sadeghi
Vice-President
Boteilho Hawaii Enterprises, Inc.

SB-1043-SD-1
Submitted on: 2/22/2025 10:00:03 PM
Testimony for WAM on 2/27/2025 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Lynn Murakami Akatsuka	Individual	Support	Written Testimony Only

Comments:

I strongly support SB 1043, SD 1 which exempts the sale of groceries and nonprescription drugs from the general excise tax. This will help all residents and the bill is clear in its intent.

Thank you to the committees who heard your constituents' testimonies in the earlier version of SB 1043 and modified it to the essence of what SB 1043, SD 1 states to help all residents.

Thank you for the opportunity to testify in strong support of SB 1043, SD 1.

SB-1043-SD-1
Submitted on: 2/26/2025 8:50:53 AM
Testimony for WAM on 2/27/2025 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

STRONG SUPPORT! MAHALO!