

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



TESTIMONY BY:
EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HO'OKELE

Deputy Directors
Nā Hope Luna Ho'okele
DREANALEE K. KALILI
TAMMY L. LEE
CURT T. OTAGURO
ROBIN K. SHISHIDO

STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097



February 4, 2025
3:00 p.m.

State Capitol, Conference Room 224 & Videoconference

S.B. 1124
RELATING TO TRANSPORTATION

Senate Committee on Transportation and the Culture and the Arts

The Hawaii Department of Transportation (HDOT) **supports S.B. 1124**. The bill proposes to establish a retail delivery safety fee of 50 cents on each delivery involving a non-food item and deposits the fees into the Safe Routes to School Program Special fund.

S.B. 1124 intent is to fund safety upgrades to protect local families, children and bicyclist from the risk of delivery vehicles. The delivery trucks not only utilize roadways near neighborhood schools, but they also use roadways throughout the state of Hawaii. If the retail delivery safety fees are deposited into the state highway fund, HDOT would have the flexibility to allocate these funds for safety improvements that enhance the well-being of all families, children, pedestrians and bicyclists. This approach would ensure that safety improvements address critical needs statewide, creating safer roadways for everyone, regardless of location or proximity to schools.

Thank you for the opportunity to provide testimony.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
Ka 'Oihana 'Auhau
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 1124, Relating to Transportation.

BEFORE THE:

Senate Committee on Transportation and Culture and the Arts

DATE: Tuesday, February 4, 2025

TIME: 3:00 p.m.

LOCATION: State Capitol, Room 224

Chair Lee, Vice-Chair Inouye, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 1124 for your consideration.

S.B. 1124 adds a new chapter to title 14 of the Hawaii Revises Statutes (HRS), titled Retail Delivery Safety Fee that imposes a delivery fee of 50 cents on each retail delivery within the state. The retailer may pass the fee on to the consumer. If the fee is separately stated on receipt, bill of sale, or other document, it is excluded from the sales price for the purpose of calculation of tax under chapter 237. Retail deliveries resulting from the retail sale of food, and deliveries resulting from sales by a food and beverage establishment, are exempted.

Under the bill, DOTAX may retain an amount not exceeding the amount used to collect, administer, and enforce the collection of the delivery fee. The balance would be deposited into the Safe Routes to School Program Special Fund.

The bill takes effect upon its approval, with section 2 applying to taxable years beginning after December 21, 2025.

DOTAX notes collection of the proposed safety fee would require significant system changes and resources to administer. The proposed fee is distinct from existing

taxes already administered by DOTAX (e.g., income tax, general excise tax, transient accommodations tax, conveyance tax). Neither DOTAX nor any other collaborating tax authority collects data on the number of retail sales made in the state. Thus, DOTAX would need to impose information reporting requirements on taxpayers solely for the purpose of enforcing the fee.

DOTAX also notes defining “drugs and medical devices” is not necessary as drugs and medical devices are not mentioned in any other section of the bill.

Additionally, DOTAX recommends that page 8, lines 12 to 15, be amended to specify the amount that shall be allocated to the general fund for the cost of collecting, administering, and enforcing the fee. For example, section 248-2.6, HRS, authorizes the Director of Finance to deduct one percent of county surcharge revenues to reimburse the State for the costs of assessment, collection, disposition, and oversight of the county surcharge.

DOTAX further recommends that section 2 apply to taxable years beginning after December 31, 2026 to allow for the proper implementation of necessary systems, forms, instructions and rules.

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



Testimony for Hawai'i Appleseed Center for Law and Economic Justice
Support for SB1124 - Relating to Transportation
Senate Committee on Transportation and Culture and the Arts
February 4th, 2025 at 3PM

Dear Chair Lee, Vice Chair Inouye, and members of the committee,

Mahalo for the opportunity to express **STRONG SUPPORT for SB1124** which imposes a 50-cent delivery fee on retailers for each non-food retail delivery to be deposited into Safe Routes to School special fund.

In 2024, there were 102 traffic fatalities statewide. An estimated 42% of those fatalities involved pedestrians and bicyclists.¹ In September 2024, research found that “Vehicles with tall and blunt, tall and sloped, and medium-height and blunt front ends were associated with significant increases of 43.6%, 45.4%, and 25.6% in pedestrian fatality risk, respectively, when compared with low and sloped front ends.”² As delivery services grow in popularity, so do larger vehicles driving through residential neighborhoods. This will further the risks faced by pedestrians and and calls for increased investment in infrastructure that slows vehicles, separates vehicles and pedestrians, and increases pedestrian visibility.

While \$10 million was allocated into the SRTS program in FY24 and FY25, the SRTS program relies on traffic violation surcharges for its revenue.³ Since FY20, on average only \$521,653 per year has been deposited into the SRTS program.⁴ At the same time the *Navahine* agreement mandates that HDOT complete its multimodal network within 5 years. This undertaking will require a significant investment, as the Hawai'i Climate Commission identified nearly \$1 billion in high-priority pedestrian, bicycle, and multimodal projects across the state that are currently unfunded.⁵ With a majority of these projects located near schools, it's critical that the legislature enhance the SRTS program.

¹ HDOT, “Traffic Fatalities Up 10% From 2023,” December 31, 2024.

² W. Hu, S. Monfort, et al., “The association between passenger-vehicle front-end profiles and pedestrian injury severity in motor vehicle crashes,” September 2024.

³ State of Hawai'i, Office of the Governor, “Governor’s Message 1347 Regarding Act 244, Relating to Safe Routes to School,” July 6, 2023. https://www.capitol.hawaii.gov/sessions/session2023/bills/GM1347_.PDF.

⁴ HDOT, “Report on Non-General Fund Information”, 2023.

<https://hidot.hawaii.gov/wp-content/uploads/2023/12/HRS-37-47-37-48-37-49-Report-on-Non-General-Fund-Information-2024-Legislature.pdf>.

⁵ State of Hawai'i Climate Commission, “Transportation Projects,” 2025.

<https://climate.hawaii.gov/grants-to-projects-bridge/transportation-projects/>.

Similar legislation has been passed in Colorado and Minnesota to increase revenue for maintenance on infrastructure affected by the increase of delivery trucks on roads.⁶ Minnesota’s program requires that a 50-cent retail delivery fee be applied to transactions of \$100 or more and applies to each transaction. Minnesota defined retail as tangible personal property subject to sales tax or clothing. Sellers are excluded if the previous calendar year, the total of their Minnesota retail sales was less than \$1,000,000.

Conversely, in Colorado, a 29 cent tax is imposed on all deliveries with an exception for those items exempt from the state sales tax, items picked up by the purchaser at the retailer’s business location, deliveries made without the use of a motor vehicle, deliveries containing only wholesale sales made to a licensed retailer for resale.⁷ In FY 2023–2024, there were an estimated 303,538,679 deliveries in Colorado, generating \$84,990,830 for the state.⁸

In summary, the increasing number of traffic fatalities, particularly the number of fatalities involving pedestrians, highlights the urgent need for an increased investment in pedestrian infrastructure. By implementing a retail delivery fee, the state can generate much-needed funds to support safety upgrades, especially around schools, and better protect its communities.

Mahalo for the opportunity to testify on this important measure.



Abbey Seitz
Director of Transportation Equity
Hawai'i Appleseed Center for Law and Economic Justice

⁶ Minnesota Department of Revenue, “Retail Delivery Fee,” October 8, 2024.

<https://www.revenue.state.mn.us/retail-delivery-fee>.

⁷ Colorado Department of Revenue, “Retail Delivery Fee Rates,” 2025.

<https://tax.colorado.gov/retail-delivery-fee-rates>.

⁸ Colorado Department of Revenue, “Transportation Fees Revenue Report, July 2022 to Date,” 2024.

https://docs.google.com/spreadsheets/d/1n5zVNICMEDeYEFaz9_c-mQw360q9AHhk/edit?usp=sharing&oid=107833117090580950062&rtpof=true&sd=true.



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SENATE COMMITTEE ON TRANSPORTATION AND CULTURE AND THE ARTS
Tuesday, February 4, 2025 – 3:00pm

Hawai'i Bicycling League Supports SB 1124, Relating to Transportation

Aloha Chair Lee, Vice Chair Inouye, and Committee Members,

My name is Eduardo Hernandez, and I am the Advocacy Director of the Hawai'i Bicycling League (HBL). We are a non-profit organization founded in 1975 with the mission of enabling more people to ride bicycles for health, recreation, and transportation. We strive to create communities across our islands that have safe, accessible, and inclusive environments for people to bike, walk, and roll.

Hawai'i Bicycling League supports SB 1124, which addresses increasing traffic and speeding in residential neighborhoods, through a delivery fee that shall be deposited into the safe routes to school (SRTS) special fund, to help pay for the safety upgrades necessary to better protect local families and students.

Data published by the National Highway Traffic Safety Administration has established that SRTS programs can lead to increases in walking and bicycling to school. For SRTS implementations that have centered on site-appropriate engineering changes, results have shown behavioral improvements for pedestrians, bicyclists, and motorists. HBL has been a champion for establishing the SRTS advisory committee in Hawai'i, and have been working collaboratively with them to realize their goals, which affect the majority of the state's population, those who live within a few miles of a school. Our SRTS advisory committee deserves a dedicated funding stream.

Mahalo for the opportunity to provide testimony. We encourage your support for **SB 1124**.

Ride Aloha,

Eduardo Hernandez
Advocacy Director



Email: communications@ulupono.com

SENATE COMMITTEE ON TRANSPORTATION AND CULTURE AND THE ARTS
Tuesday, February 4, 2025 — 3:00 p.m.

Ulupono Initiative supports SB 1124, Relating to Transportation.

Dear Chair Lee and Members of the Committee:

My name is Mariah Yoshizu, and I am the Government Affairs Associate at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy and clean transportation choices, and better management of freshwater resources.

Ulupono supports SB 1124, which establishes the retail delivery safety fee of 50 cents to be imposed on a retailer for each transaction involving a non-food item retail delivery in the State and requires the Director of Taxation to deposit the collected fees into the Safe Routes to School Program Special Fund.

Although current transportation planning and decision-making have provided important Safe Routes to School (SRTS) projects and have added facilities through Complete Streets approaches, many schools remain less accessible for keiki walking or rolling to school. The lack of complete, safe and comfortable bike and pedestrian networks puts keiki at risk, especially among growing safety concerns in these areas. An analysis of Hawai'i EMS calls found that pedestrian and bicycling injuries to children are most likely to occur during the hours they are traveling to and from school.¹ Overall, walking and biking in Hawai'i have gotten progressively more dangerous in the last 20 years, and we are now ranked the 12th most dangerous state to walk and bike.²

Other states have made firm commitments to protect children's school trips. For example, Colorado dedicates more than \$2.5 million per year in both infrastructure and programmatic monies. These projects range from new sidewalks, lighting and trails, to softer solutions like walking school buses, maps and trip trackers to encourage healthier active living. The more we can support affordable options for keiki to get to school and protect them when they are walking and rolling, the better off our communities will be.

The SRTS Advisory Committee [January 2025 Annual Report](#) outlines several critical findings. Research shows that SRTS programs can significantly increase walking and biking

¹ <https://www.hiphi.org/wp-content/uploads/2022/01/SRTS-Fact-Sheet.pdf>

² <https://smartgrowthamerica.org/dangerous-by-design/>

Investing in a Sustainable Hawai'i



to school, with participation rising 18-37%, while simultaneously reducing pedestrian injuries in school zones by 44-75%. The need for these programs is widespread, as approximately 77% of Hawai'i residents live within one mile of a school.

Furthermore, a preliminary analysis has already identified more than \$800 million in SRTS infrastructure needs across the state. The SRTS Program needs consistent funding to meet growing safety challenges. A sustainable funding source, such as the proposed fee, is critical for projects that protect our communities and students.

Thank you for the opportunity to testify.

Respectfully,

Mariah Yoshizu
Government Affairs Associate



P.O. Box 392, Kilauea, Kauai, HI, 96754

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Testimony in Support of SB1124 - Relating to Transportation
Senate Committee on Transportation and Culture and the Arts
February 4th, 2025 at 3PM

Dear Chair Lee, Vice Chair Inouye, and Committee Members,

My name is Bev Brody and I am the director of the Healthy Eating Active Living Coalition of Kauai County (Get Fit Kauai). Get Fit Kauai is a community-focused organization dedicated to promoting health, wellness, and safer living environments for all residents of Kaua'i. We would appreciate the opportunity to express strong support for SB1124, which imposes a 50-cent delivery fee on non-food retail deliveries to fund the Safe Routes to School (SRTS) program.

In 2024, Hawaii experienced 102 traffic fatalities, with 42% involving pedestrians and cyclists. Research from September 2024 found that certain vehicle designs—particularly those with blunt front ends—significantly increase pedestrian fatality risk. As the popularity of delivery services grows, larger vehicles in residential areas further heighten risks to pedestrians, underscoring the need for investment in infrastructure that slows traffic, improves pedestrian visibility, and separates pedestrians from vehicles.

Though \$10 million was allocated to the SRTS program for FY24 and FY25, the program relies on traffic violation surcharges, which have averaged just \$521,653 per year since FY20. At the same time, the Navahine agreement mandates completion of a multimodal network by HDOT within five years, requiring substantial funding. The Hawai'i Climate Commission has identified nearly \$1 billion in unfunded pedestrian, bicycle, and multimodal projects—many near schools—highlighting the need to strengthen the SRTS program.

Other states, such as Colorado and Minnesota, have implemented similar legislation to address the impact of delivery trucks on infrastructure. Minnesota applies a 50-cent delivery fee on transactions over \$100, while Colorado imposes a 29-cent fee on all deliveries, excluding certain exemptions. In FY 2023–2024, Colorado's program generated nearly \$85 million for the state, underscoring the potential impact of such fees.

In summary, the rising number of traffic fatalities, especially pedestrian deaths, highlights the urgent need for increased investment in pedestrian infrastructure. A retail delivery fee would generate vital funds to enhance safety around schools and protect communities.

Mahalo for your consideration of this important measure.

B. Brody

Bev Brody
Get Fit Kauai – Director
H.E.A.L. (Healthy Eating Active Living) Community Coalition of Kauai County
(808) 212-4765

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS; Retail Delivery Safety Fee; Retailers; Exemptions; Safe Routes to School Special Fund

BILL NUMBER: SB 1124

INTRODUCED BY: LEE, C., CHANG

EXECUTIVE SUMMARY: Establishes the retail delivery safety fee of 50 cents to be imposed on a retailer for each transaction involving a non-food item retail delivery in the State. Allows the retailer to transfer the fee to the purchaser. Creates certain exemptions. Requires the Director of Taxation to deposit the collected fees into the Safe Routes to School Program Special Fund. Allows the Director of Taxation to deposit collected fees that cover the administration of the retail delivery safety fee into the state general fund.

SYNOPSIS: Adds a new chapter to Title 14, Taxation, for a Retail Delivery Safety Fee.

Section____-1 includes definitions for:

“Retail delivery” means a delivery to a person located in the State, as part of a “retail sale” of 1) tangible personal property that is subject to general excise tax under chapter 237, HRS, and 2) clothing.. Does not include pickup at the retailer’s place of business, including curbside delivery.

“Retail sale” includes the sale of tangible personal property for consumption or use by the purchaser and not for resale, the renting of tangible personal property, and the rendering of services to a person who is not purchasing the services for resale.

“Retailer” means any person making sales, leases or rental of personal property or services within or into the State, whether a place of business is maintained in the State. Includes marketplace facilitators, pursuant to section 237-4.5,HRS.

Section____-2 imposes a fee on each Retailer equal to 50 cents on each “Retail delivery” transaction in the State. The Retailer may collect the fee from the purchaser and if separately stated on the invoice or bill of sale, the fee shall be excluded from the sales price for purposes of the general excise tax.

The fee shall be imposed once per transaction regardless of the number of shipments necessary to deliver the purchase or the number of items of tangible personal property purchased.

The fee shall be nonrefundable regardless of whether items purchased are returned to the retailer or if a purchase price refund or credit is given by the retailer. The fee shall be refunded to the purchaser if the “retail delivery” is cancelled by the purchaser, retailer, or delivery provider.

Section ____-3 provides exemption from the fee for retail deliveries resulting from: 1) a retail sale of food and food ingredients or prepared food; and 2) a retail sale by a food and beverage service establishment, regardless of whether the delivery is made by a third party.

Section ____-4 requires the retailer to report and remit the fee using the filing cycle and due dates provided by the general excise tax provisions in section 237, HRS. Unless specified otherwise, the fee collection, audit, assessment, refund, penalty, interest, enforcement, collection remedies, appeal and administrative provisions of Chapter 237 shall apply.

Section ____-5 The Director of Taxation, (“Director”) may retain fees for administration, with the remaining fees deposited to the Safe Routes to School Program Special Fund.

Makes conforming amendments for deposits into the section 291C-4, HRS, Safe Routes to School Program Special Fund.

EFFECTIVE DATE: Upon approval, provided section 2 shall apply to taxable years beginning after December 31, 2025.

STAFF COMMENTS: This measure is, in effect, a GET increase on transactions involving a retail delivery.

Our tax system has been roundly criticized for being unfair to those on the lower end of the income spectrum. In particular, a 2015 study from the Institute on Taxation and Economic Policy (ITEP) (<http://www.itep.org/pdf/whopaysreport.pdf>) asserts that the lowest 20% of our population pays 13.4% of its income in state and local taxes, while the top 1% pays 7.0%. Because of this, that study called our tax system the 15th most unfair in the country.

These charts from the ITEP study shows us that the problem is that we have very broad excise taxes, which fund basically half of our state government. Excise taxes apply without regard to the payer’s ability to pay the tax. The lower your income, the greater the portion of your income must be spent to buy essentials like food, water, and power. Those who have more money spend as well, but they don’t need to spend as much in proportion to what they make. Our excise taxes are imposed on spending, so naturally they will fall more heavily on the poor as a proportion of their incomes. Here, the chart shows that excise taxes take up 11% for those in the lowest 20% income group, while taking up 1.2% for those in the top 1%. That difference explains the regressivity of our tax system, and is the root of the unfairness called out in the ITEP study.

This fee would also apply without regard to the purchaser’s ability to pay the tax, and would add to the regressive nature of the tax system we now have.

While the fee piggybacks onto the current GET compliance and administrative provisions, we have concerns whether the fees generated would outweigh the cost of compliance. This new fee would be administered by the Department of Taxation and require new tax forms, instructions, reprogramming, staff training and other costs that would be massive in amount compared to an unspecified amount of expected revenue.

Re: SB 1124
Page 3

As a technical matter, we observed that the defined term “retail delivery” is of “(1) Tangible personal property that is subject to taxation under chapter 237; and (2) Clothing.” We are wondering when “clothing” would not be included in item (1).

Digested: 2/2/2025



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Executive Officers

Maile Miyashiro, C&S Wholesale Grocer, *Chair*
Kit Okimoto, Okimoto Corp., *Vice Chair*
Jayson Watts, Mahi Pono, *Secretary/Treasurer*
Lauren Zirbel, HFIA, *Executive Director*
Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, *Advisor*
Eddie Asato, Pint Size Hawaii, *Advisor*
Gary Okimoto, Safeway, *Immediate Past Chair*

LATE

TO: Committee on Transportation and Culture and the Arts

FROM: HAWAII FOOD INDUSTRY ASSOCIATION

Lauren Zirbel, Executive Director

DATE: February 4, 2025

TIME: 3pm

RE: SB1124 Relating to Transportation

Position: Comments

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 understands the intent of this measure to make our communities safer and offers comments. As written it appears that the fee outlined in this measure may also apply to purchases made from grocery stores or convenience stores if they contain a non-food item. For instance, if a person orders groceries and diapers from their local grocery store and has it delivered by the store or a third-party delivery service that offers delivery in the driver's personal vehicle, it seems like it would incur this fee. We do not believe that the intent of this measure was to add additional expense to non-food items like diapers, paper towels, toothpaste etc., when purchased with groceries. We also do not believe the intent is to create an additional administrative burden for our local grocery stores and convenience stores that would have to figure out when to apply this fee and how to add it.

We ask that the measure be amended so that deliveries made from grocery stores and convenience stores are exempted. Thank you for the opportunity to testify.



February 4, 2025

The Honorable Chris Lee
Chair, Committee on Transportation and Culture and The Arts
Hawai'i Senate
Room 219, State Capitol
415 South Beretania Street
Honolulu, HI 96813

Re: Oppose Retail Delivery Tax – SB 1124

Dear Chair Lee and members of the Committee:

On behalf of Chamber of Progress – a tech industry association supporting public policies to build a more inclusive society in which all people benefit from technological advancements – I write to urge you and your colleagues to **oppose SB 1124**, which would levy a 50-cent tax on retail deliveries throughout Hawai'i.

This tax would disproportionately burden the state's most vulnerable members. It would also threaten the income of small businesses and the workers they employ while increasing emissions and damage to roadway infrastructure.

Delivery taxes increase costs and threaten access to essential goods and services for marginalized communities

Recent data highlights the growing reliance on delivery services nationwide and its impact on underserved communities. Between 2021 and 2022, 54 percent and 41 percent of adults surveyed nationwide reported they were likely to have frequently used an app to deliver food and groceries, respectively,¹ and studies suggest the average order frequency for groceries will increase at a 12 percent annual rate over the next five years.²

Delivery services are essential in Hawai'i, where 85-95% of goods are imported,³ contributing to the nation's highest prices and cost of living.⁴ Imposing delivery taxes would only increase financial burdens on families already struggling to afford

¹ See Chamber of Progress

http://progresschamber.org/wp-content/uploads/2022/07/COP_Civic-Innovation_ANALYSIS.pdf

² See Online grocery sales will increase at 12% annual rate over 5 years, report says

<https://www.grocerydive.com/news/online-grocery-sales-will-increase-at-12-annual-rate-over-5-years-report/641578>

³ See University of Hawai'i at Hilo <https://hilo.hawaii.edu/news/kekalahea/spring-2023/april/food-sovereignty-in-hawaii>

⁴ See MERIC <https://meric.mo.gov/data/cost-living-data-series>

necessities, worsening economic hardships and restricting access to essential household items.

Moreover, 17.7% of Hawai'i residents live with a disability.⁵ Many of these individuals, who have difficulty shopping in person, also depend on delivery services for prescriptions, groceries, and household goods.⁶ The imposition of delivery taxes can exacerbate challenges in accessing essential goods and services for people with disabilities, who often face additional financial burdens.⁷

A survey of Colorado residents found that the burden of a 27-cent delivery tax fell hardest on low-income families. Families earning less than \$75,000 spent 2.5 times as much on delivery taxes as families earning over \$200,000.⁸ Increasing the cost of deliveries of essential household goods would further burden struggling families in Hawai'i.

Delivery taxes hurt small businesses and workers

Small businesses are the backbone of Hawai'i's economy, comprising 99.3% of all businesses and employing more than half of the workforce.⁹ In 2024, Maryland small businesses drove 71.1% of overall job growth.¹⁰ Imposing delivery taxes would threaten many of these businesses, especially restaurants and businesses that depend on online marketplaces to reach customers. Small businesses in Hawai'i already face high operating costs due to import expenses, and additional taxes would further strain their ability to compete and thrive.

While the tax would not apply to direct purchases businesses in their first year of operations or those earning less than \$500,000 per year, many small businesses operate on online marketplaces in order to reach more customers and take advantage of sophisticated logistics and shipping operations. Orders made on those platforms would be subject to the tax, resulting in higher prices for consumers.

When a similar tax was imposed in Colorado, many small businesses raised concerns about increased costs, and customers complained about increased prices.¹¹ Such price

⁵ See Hawai'i Disability Rights Center <https://health.hawaii.gov/nt/files/2021/09/HDRC-LHH-Intro-to-HDRC-TBI.pdf>

⁶ See Home delivery services serve up improved accessibility to food and more <https://www.ameridisability.com/home-delivery-services-serve-up-improved-accessibility-to-food-and-more/>

⁷ See The National Disability Institute <https://www.nationaldisabilityinstitute.org/wp-content/uploads/2018/12/finra-infographic.pdf>

⁸ See Chamber of Progress <http://progresschamber.org/wp-content/uploads/2024/02/EY-Chamber-of-Progress-Colorado-delivery-fee-analysis-02-27-2024-FINAL.pdf>

⁹ See U.S. Small Business Administration <https://advocacy.sba.gov/wp-content/uploads/2024/11/Hawaii.pdf>

¹⁰ See U.S. Small Business Administration <https://advocacy.sba.gov/wp-content/uploads/2024/11/Hawaii.pdf>

¹¹ See New Colorado retail delivery fee causing issues for small businesses https://www.kktv.com/2022/07/07/new-colorado-retail-delivery-fee-causing-issues-small-businesses/?utm_source=dlyr.it&utm_medium=twitter

increases would lead to a drop in demand, resulting in decreased business revenues and wages for delivery drivers. In Colorado, the delivery tax has caused an annual loss of \$17.1 million in wages for local workers, including restaurant employees, and puts over 61,000 jobs across various industries.¹²

Women,¹³ Gen Z, and millennials¹⁴—many of whom are already struggling to make ends meet—are increasingly turning to delivery work as a way to offset rising costs and earn supplemental income. Delivery taxes disproportionately harm these workers, undermining their ability to support themselves and their families while contributing to the local economy.

Delivery taxes would also increase roadway usage and environmental damage

Delivery services, particularly retail and e-commerce deliveries, consolidate trips and use route-optimization technology, making them more efficient than multiple individual trips. Unnecessary delivery fees would discourage consumers from choosing delivery options and result in more individual trips to the store, putting more cars on the road and more emissions in the air. In Hawai'i alone, the use of delivery services could result in over 35 million fewer miles driven in one year, reducing wear and tear on roadways and decreasing roadway emissions.¹⁵ This fee would undermine the state's efforts to reduce greenhouse gas emissions by 50% by 2030.¹⁶

Delivery services are critical in supporting marginalized communities and sustaining small businesses statewide. Tax policies should not jeopardize the benefits they provide to families and workers. For these reasons, we urge you to **oppose SB 1124**.

Sincerely,



Robert Singleton
Senior Director of Policy and Public Affairs, California and US West

¹² See The Negative Economic Impacts of Retail Delivery Fees <https://progresschamber.org/wp-content/uploads/2024/08/Retail-Delivery-Fees-White-Paper-Econ-Impact-CHOP.pdf>

¹³ See <https://about.doordash.com/en-us/news/a-majority-of-dashers-are-women-heres-why-they-choose-doordash>

¹⁴ See 2024 Gen Z and Millennial Survey <https://www.deloitte.com/global/en/issues/work/content/genz-millennialsurvey.html>

¹⁵ See Efficiency and Emissions Impact of Last Mile Online Delivery in the U.S. <https://progresschamber.org/wp-content/uploads/2024/06/Chamber-of-Progress-Efficiency-and-Emissions-Impact-of-Last-Mile-Online-Delivery-in-the-US.pdf>

¹⁶ See Hawai'i Pathways to Decarbonization Final Act 238 Report https://energy.hawaii.gov/wp-content/uploads/2022/10/Act-238_HSEO_Decarbonization_FinalReport_2023.pdf



**TESTIMONY OF TINA YAMAKI, PRESIDENT OF THE RETAIL MERCHANTS OF HAWAII
FEBRUARY 4, 2025
SB 1124 RELATING TO TRANSPORTATION**

Good afternoon Chair Lee and members of the Senate Committee on Transportation and Culture & the Arts . I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901 and is a statewide, not for profit trade organization committed to supporting the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, on-line sellers, local, national, and international retailers, chains, and everyone in between.

We strongly oppose SB 1124. This measure establishes the retail delivery safety fee of 50 cents to be imposed on a retailer for each transaction involving a non-food item retail delivery in the State; allows the retailer to transfer the fee to the purchaser; creates certain exemptions; requires the Director of Taxation to deposit the collected fees into the Safe Routes to School Program Special Fund; allows the Director of Taxation to deposit collected fees that cover the administration of the retail delivery safety fee into the state general fund.

While the intent of this measure to support the Safe Routes to School Program Special Fund may be well-intentioned, the economic burden it places on retailers and consumers is both unfair and counterproductive.

Hawaii already has one of the highest costs of living in the nation. Hawaii's businesses - particularly small local retailers - are struggling with rising operational and shipping expenses, labor costs, supply chain disruptions and paying back their loans taken out during the Pandemic. And as of February 1st of this year, retailers are dealing with higher cost of many products due to the increase in tariffs the US imposed on various countries. In order to survive this highly price competitive industry, retailers have turned to the omni channel to survive. This is where brick and mortar uses online and social media to sell their products. We have also seen a turn with local businesses who once used to have a brick and mortar store now do everything online.

Imposing a per-transaction fee on retail deliveries will increase costs for businesses, many of whom rely on third party delivery services to reach customers, especially in the post-pandemic economy; lead to higher prices for consumers, as retailers will be forced to pass on the added costs; and be a large disadvantage to our small local businesses, which often lack the economies of scale to absorb additional expenses.

This measure unfairly targets retailers while other industries utilizing delivery services remain unaffected. Furthermore, it disproportionately impacts those who rely on delivery services, including kupuna, individuals with disabilities, and families with limited access to brick-and-mortar stores. During the pandemic shut down, many learned how to order goods and products online including our Kapuna. National brands often fulfill orders from their stores in Hawaii to ensure next day service if the item is available. The consumer is very price conscious and looking for deals as we have all seen the prices of products and goods increasing significantly. Additional costs on businesses and consumers discourage spending, which can negatively impact economic recovery and growth.

We also wonder why law enforcement or traffic enforcement are not being called if there are growing numbers of large trucks speeding through areas where there are families and children. What about the increase in cars as more home communities are being built?

Rather than imposing this regressive fee, lawmakers should explore alternative funding sources that do not penalize retailers and consumers. Additional taxes and fees on retailers will only exacerbate financial hardships for local businesses and residents, ultimately doing more harm than good.

Mahalo for this opportunity to testify.

Support for SB1124 - Relating to Transportation
Senate Committee on Transportation and Culture and the Arts
February 4th, 2025 at 3PM

Dear Chair Lee, Vice Chair Inouye, and members of the committee,

Mahalo for the opportunity to express **STRONG SUPPORT for SB1124** which imposes a 50-cent delivery fee on retailers for each non-food retail delivery to be deposited into Safe Routes to School special fund.

In 2024, there were 102 traffic fatalities statewide. An estimated 42% of those fatalities involved pedestrians and bicyclists.¹ In September 2024, research found that “Vehicles with tall and blunt, tall and sloped, and medium-height and blunt front ends were associated with significant increases of 43.6%, 45.4%, and 25.6% in pedestrian fatality risk, respectively, when compared with low and sloped front ends.”² As delivery services grow in popularity, so do larger vehicles driving through residential neighborhoods. This will further the risks faced by pedestrians and and calls for increased investment in infrastructure that slows vehicles, separates vehicles and pedestrians, and increases pedestrian visibility.

While \$10 million was allocated into the SRTS program in FY24 and FY25, the SRTS program relies on traffic violation surcharges for its revenue.³ Since FY20, on average only \$521,653 per year has been deposited into the SRTS program.⁴ At the same time the *Navahine* agreement mandates that HDOT complete its multimodal network within 5 years. This undertaking will require a significant investment, as the Hawai'i Climate Commission identified nearly \$1 billion in high-priority pedestrian, bicycle, and multimodal projects across the state that are currently unfunded.⁵ With a majority of these projects located near schools, it's critical that the legislature enhance the SRTS program.

Similar legislation has been passed in Colorado and Minnesota to increase revenue for maintenance on infrastructure affected by the increase of delivery trucks on roads.⁶ Minnesota's program requires that a 50-cent retail delivery fee be applied to transactions of \$100 or more and applies to each transaction.

¹ HDOT, “Traffic Fatalities Up 10% From 2023,” December 31, 2024.

² W. Hu, S. Monfort, et al., “The association between passenger-vehicle front-end profiles and pedestrian injury severity in motor vehicle crashes,” September 2024.

³ State of Hawai'i, Office of the Governor, “Governor’s Message 1347 Regarding Act 244, Relating to Safe Routes to School,” July 6, 2023. <https://www.capitol.hawaii.gov/sessions/session2023/bills/GM1347.PDF>.

⁴ HDOT, “Report on Non-General Fund Information”, 2023. <https://hidot.hawaii.gov/wp-content/uploads/2023/12/HRS-37-47-37-48-37-49-Report-on-Non-General-Fund-Information-2024-Legislature.pdf>.

⁵ State of Hawai'i Climate Commission, “Transportation Projects,” 2025. <https://climate.hawaii.gov/grants-to-projects-bridge/transportation-projects/>.

⁶ Minnesota Department of Revenue, “Retail Delivery Fee,” October 8, 2024. <https://www.revenue.state.mn.us/retail-delivery-fee>.

Minnesota defined retail as tangible personal property subject to sales tax or clothing. Sellers are excluded if the previous calendar year, the total of their Minnesota retail sales was less than \$1,000,000.

Conversely, in Colorado, a 29 cent tax is imposed on all deliveries with an exception for those items exempt from the state sales tax, items picked up by the purchaser at the retailer's business location, deliveries made without the use of a motor vehicle, deliveries containing only wholesale sales made to a licensed retailer for resale.⁷ In FY 2023–2024, there were an estimated 303,538,679 deliveries in Colorado, generating \$84,990,830 for the state.⁸

In summary, the increasing number of traffic fatalities, particularly the number of fatalities involving pedestrians, highlights the urgent need for an increased investment in pedestrian infrastructure. By implementing a retail delivery fee, the state can generate much-needed funds to support safety upgrades, especially around schools, and better protect its communities.

Mahalo for the opportunity to testify on this important measure.

Molly Mamaril
Kaimukī resident

⁷ Colorado Department of Revenue, "Retail Delivery Fee Rates," 2025. <https://tax.colorado.gov/retail-delivery-fee-rates>.

⁸ Colorado Department of Revenue, "Transportation Fees Revenue Report, July 2022 to Date," 2024. https://docs.google.com/spreadsheets/d/1n5zVNICMEDeYEFaz9_c-mQw360q9AHhk/edit?usp=sharing&oid=107833117090580950062&rtpof=true&sd=true.

LATE

Dear Chair Lee, Vice Chair Inouye, and members of the committee,

My name is Kiana Otsuka, and I am a Transportation Planner whose expertise is in walk, roll, bike, and transit. I am writing in **strong support of SB 1124**, which imposes a 50-cent delivery fee on retailers for each non-food retail delivery to be deposited into the Safe Routes to School special fund.

In 2024, there were 102 traffic fatalities statewide. An estimated 42% of those fatalities involved pedestrians and bicyclists. In September 2024, research found that “Vehicles with tall and blunt, tall and sloped, and medium-height and blunt front ends were associated with significant increases of 43.6%, 45.4%, and 25.6% in pedestrian fatality risk, respectively, when compared with low and sloped front ends.” As delivery services grow in popularity, so do larger vehicles driving through residential neighborhoods. This will further the risks faced by pedestrians and and calls for increased investment in infrastructure that slows vehicles, separates vehicles and pedestrians, and increases pedestrian visibility.

While \$10 million was allocated into the SRTS program in FY24 and FY25, the SRTS program relies on traffic violation surcharges for its revenue. Since FY20, on average only \$521,653 per year has been deposited into the SRTS program. At the same time the *Navahine* agreement mandates that HDOT complete its multimodal network within 5 years. This undertaking will require a significant investment, as the Hawai'i Climate Commission identified nearly \$1 billion in high-priority pedestrian, bicycle, and multimodal projects across the state that are currently unfunded. With a majority of these projects located near schools, it's critical that the legislature enhance the SRTS program.

Similar legislation has been passed in Colorado and Minnesota to increase revenue for maintenance on infrastructure affected by the increase of delivery trucks on roads. Minnesota's program requires that a 50-cent retail delivery fee be applied to transactions of \$100 or more and applies to each transaction. Minnesota defined retail as tangible personal property subject to sales tax or clothing. Sellers are excluded if the previous calendar year, the total of their Minnesota retail sales was less than \$1,000,000.

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In summary, the increasing number of traffic fatalities, particularly the number of fatalities involving pedestrians, highlights the urgent need for an increased investment in pedestrian infrastructure. By implementing a retail delivery fee, the state can generate much-needed funds to support safety upgrades, especially around schools, and better protect its communities.

Mahalo for the opportunity to testify on this important measure.

Kiana Otsuka

LATE

SB1124 - Imposes a 50-cent delivery fee on retailers for each non-food retail delivery to be deposited into Safe Routes to School special fund.

I am writing to express my support for SB1124 which imposes a 50-cent delivery fee on retailers for each non-food retail delivery to be deposited into Safe Routes to School special fund. In 2024, there were 102 traffic fatalities statewide. An estimated 42% of those fatalities involved pedestrians and bicyclists.¹ In September 2024, research found that “Vehicles with tall and blunt, tall and sloped, and medium-height and blunt front ends were associated with significant increases of 43.6%, 45.4%, and 25.6% in pedestrian fatality risk, respectively, when compared with low and sloped front ends.”² As delivery services grow in popularity, so do larger vehicles driving through residential neighborhoods. This will further the risks faced by pedestrians and calls for increased investment in infrastructure that slows vehicles, separates vehicles and pedestrians, and increases pedestrian visibility.

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⁷ Colorado Department of Revenue, “Retail Delivery Fee Rates,” 2025. <https://tax.colorado.gov/retail-delivery-fee-rates>.

⁸ Colorado Department of Revenue, “Transportation Fees Revenue Report, July 2022 to Date,” 2024.

In summary, the increasing number of traffic fatalities, particularly the number of fatalities involving pedestrians, highlights the urgent need for an increased investment in pedestrian infrastructure. By implementing a retail delivery fee, the state can generate much-needed funds to support safety upgrades, especially around schools, and better protect its communities. Mahalo for the opportunity to testify on this important measure.

Respectfully,
Leigh Ann Lopez