

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
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To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director
Department of Taxation

Date: February 26, 2021
Time: 9:30 A.M.
Place: Via Videoconference, Hawaii State Capitol

Re: S.B. 361, S.D. 1, Relating to General Excise Tax

The Department of Taxation (Department) offers the following comments regarding S.B. 361, S.D. 1, for your consideration.

S.B. 361, S.D. 1, adds a new section to chapter 237, Hawaii Revised Statutes (HRS), which governs the general excise tax (GET). The proposed measure exempts from GET amounts received for all groceries eligible for purchase under the U.S. Department of Agriculture (USDA)'s Supplemental Nutrition Assistance Program (SNAP). "Groceries" are defined as any food or food product for home consumption, and the measure authorizes the Department to further define "groceries" in consultation with the USDA. The measure would apply to taxable years beginning after December 31, 2021.

First, while the Department appreciates the flexibility to further define "groceries" in order to effectuate this new exemption of SNAP-eligible foods from the GET, the Department notes that it does not possess appropriate subject-matter expertise to do so. For clarity, the Committee may wish to amend the measure's definition section to reference the relevant federal law and regulation(s) that govern the SNAP definition of "Eligible foods": 7 U.S.C. section 2012(k), and 7 C.F.R. section 271.2. This will give the Department a relevant authority to point to when it promulgates new forms, instructions, and Tax Information Releases relating to this new GET exemption.

Second, the Department respectfully requests that S.B. 361, S.D. 1, be made effective on January 1, 2022. Applying this new exemption by the date that gross receipts are received, instead of by taxable year, will level the playing field so that the exemption will apply to all affected taxpayers regardless of the tax year that they follow. The date change will also give the Department time to make the necessary form, instructions, and computer system changes.

Finally, the Department estimates the general fund revenue loss as follows:

General Fund Loss (\$ millions)

FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
-85.3	-211.5	-216.8	-222.0	-226.4	-230.6

Thank you for the opportunity to provide comments.



WAIKIKI NEIGHBORHOOD BOARD NO. 9

10 NEIGHBORHOOD COMMISSION • 925 DILLINGHAM BLVD. SUITE 160 • HONOLULU, HAWAII, 96817
PHONE (808) 768-3710 • FAX (808) 768-3711 • INTERNET: <http://www.honolulu.gov>

The Waikiki Neighborhood Board supports the concept of the following bill: SB361

At the February 9, 2021 Regular Meeting of the Waikiki Neighborhood Board the Board voted in favor of the concept of this bill.

The taxing of food has long impacted all Waikiki residents and often our residents, especially during the current Pandemic, are unable to buy adequate food to support their families. Elimination of this tax will help our most impacted families.

Robert J. Finley
Robert J. Finley
Chair

IRON WORKERS STABILIZATION FUND

February 26, 2021
9:30 am

Senate Committee on Ways and Means
Via Videoconference
State Capitol
415 South Beretania Street

Re: SB361 – Relating to the General Excise Tax

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Senate Committee,

We **SUPPORT** the intent of SB361. The bill, if enacted, would provide a general excise tax exemption for certain food or food ingredients. President Joe Biden has clarified for us the cascade of crises that our society faces today: the virus, climate change, growing inequality, racism, America's global standing, and an attack on truth and democracy.

Here at home, the pandemic has resulted in over 580,000 workers filing unemployment claims last year. We in Hawai'i also face the distinct crisis of a looming homelessness tsunami. The moratoriums on evictions promulgated by the President and Governor are only stop-gap emergency measures that address public health and safety. Those measures do not address the underlying growing fiscal debt owed by renters and mortgagees to landlords and lenders. The Federal relief provided through CARES and subsequent legislation is greatly appreciated but does not keep pace with the growing debt. Many of our 'ohana have not been able to work and are now faced with upwards of a ten months' worth of back mortgage or rent payments that could be in the tens of thousands of dollars per family.

Too many of our 'ohana and friends have been laid off or have had hours reduced. Thousands of working families are on the verge of financial collapse, having spent their savings, lost their private health insurance, and having dim prospects of returning to work soon or earning enough to survive. Our local families are faced with difficult to impossible financial choices, deciding between food and rent or mortgage payments, and gas and car payments. Thousands of our 'ohana that were drowning under these cascades of crises have chosen to relocate their family out-of-state.

Exempting food and food ingredients from the General Excise Tax could save a working family upwards of \$500 a year. This worker relief legislation, taken together with others, will be a step in the right direction. We firmly stand in solidarity with our tens of thousands of local families that are currently suffering from layoffs, decreased work hours, and the thousands more that are facing possible government furloughs given the pandemic and budget shortfalls. We encourage you to consider worker relief legislation that will help our neighbors that are suffering during these unprecedented times and try to stem the rising tsunami of homeless on the horizon.

Sincerely,



T. George Paris
Managing Director

TGP: MP



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e-mail info@hfbf.org; www.hfbf.org

February 26, 2021

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON SB 361, SD1
RELATING TO GENERAL EXCISE TAX

Conference Room 211
9:30 AM

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawaii Farm Bureau supports SB 361, SD1, which provides a general excise tax exemption for the gross proceeds or income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program (SNAP).

SNAP offers nutrition assistance to eligible, low-income individuals and families, increasing their food purchasing power and improving their nutrition. SNAP also provides economic benefits to farmers participating at farmers' markets, roadside stands, CSA programs, grocery stores, and other food retailers.

Exempting SNAP-eligible groceries is a way to immediately bring down the cost of living for the people of Hawaii. This will especially assist lower-income Hawaii households, who spend a greater percentage of their income on food.

HFB believes that access to locally grown fresh fruits, vegetables, and protein to low-income individuals and families provides benefit to both SNAP participants and Hawaii farmers and ranchers.

Thank you for this opportunity to testify in support of this measure.



United Food & Commercial Workers Union, Local 480
808 Factory Street, Honolulu, Hawaii 96819
Phone: 808 942.7778

Patrick K. Loo
President

Gwen K. Rulona
Secretary Treasurer

February 24, 2021

Hawaii Legislature
Senate
Ways and Means Committee

RE: SUPPORT SB 361 SD1 – Relating to General Excise Tax; Certain Groceries

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran and Members of the Committee,

United Food & Commercial Workers Union 480 is just one of the many voices for the working class people of Hawai'i and we have an obligation to not only our Union Members but their families as well. We take our duty in speaking up for all the livelihoods we are responsible for extremely seriously. With that being said, it is essential and imperative that we continue striving for the betterment of our community by **FULLY SUPPORTING SB 361 SD1.**

The COVID-19 pandemic has really brought to the forefront this overdue need to address these tax issues. Most importantly, the General Excise Tax from groceries needs to be modified to mirror the exemption that forty-three (43) States have already adopted. We are the only blue State that still tax groceries. Such a tax relief would immediately aid our working families who have been and continue to struggle with the purchase of food; especially in this pandemic where many have lost jobs. The additional savings has the potential to not only help feed more of our island's children, kupuna, and community, but would translate into extra disposable income to be used toward other taxable goods; thereby, providing much needed boost for Hawaii's economy.

As it is, lives and livelihoods have been lost; but even in the midst of this, hope is alive and there are means to bring our community back to a place of thriving. Therefore, we implore you to partner with us for the sake of Hawai'i and it's people by supporting SB 361 SD1. Mahalo.

Fraternally,

Patrick K. Loo
President

IATSE LOCAL 665

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The Thirty-First Legislature, State of Hawai'i
Hawai'i State Senate
Committee on Ways and Means

Testimony by
IATSE Local 665
February 24th, 2021

S.B. 361 SD1 - RELATING TO GENERAL EXCISE TAX

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Senate Committee,

My name is Tuia'ana Scanlan, President of IATSE Local 665. We represent Entertainment Technicians in Live Events, Tradeshow & Conventions, and Film/TV industries across the State of Hawaii. We **strongly support** S.B. 361 SD1.

With the coronavirus pandemic creating dire situations for working families, S.B. 361 SD1 is intended to ease the burden on local working families who are struggling to put food on the table. By exempting SNAP eligible grocery items from the General Excise Tax, it will give greater access to food for Hawaii's working families.

It is a misnomer to say that people are merely "not working". Working people are prevented from returning to the careers that they have trained their entire lives for in order to combat a public health crisis. Healthcare is often tied to employment. These are not mutually exclusive issues. In homes across the State of Hawaii, hard choices are being made between Rent/Mortgage, Utility bills, Healthcare, and Food. Local working families in Hawaii need the support that S.B. 361 SD1 provides.

We appreciate your consideration of our testimony and strongly encourage passage of S.B. 361 SD1.

Respectfully submitted,



Tuia'ana Scanlan
President, IATSE Local 665
he/him/his



INTERNATIONAL LONGSHORE & WAREHOUSE UNION

LOCAL OFFICE • 451 ATKINSON DRIVE • HONOLULU, HAWAII 96814 • PHONE 949-4161

HAWAII DIVISION: 100 West Lanikaula Street, Hilo, Hawaii 96720 • OAHU DIVISION: 451 Atkinson Drive, Honolulu, Hawaii 96814
MAUI COUNTY DIVISION: 896 Lower Main Street, Wailuku, Hawaii 96793 • KAUAI DIVISION: 4154 Hardy Street, Lihue, Hawaii 96766
HAWAII LONGSHORE DIVISION: 451 Atkinson Drive, Honolulu, Hawaii 96814

LOCAL 142

The Thirty-First Legislature
Regular Session of 2021

THE SENATE

Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Gilbert S.C. Keith-Agaran, Vice Chair

State Capitol, Conference Room 211/Videoconference

Friday, February 26, 2021; 9:30 a.m.

STATEMENT OF THE ILWU LOCAL 142 ON S.B. 361, S.D.1 RELATING TO GENERAL EXCISE TAX

The ILWU Local 142 **supports** S.B. 361, S.D.1, which establishes a general excise tax exemption for the gross proceeds or income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program (SNAP), regardless of the means of purchase and the SNAP eligibility of the person and applies to taxable years after 12/31/2021.

As you know, hundreds of thousands of workers in Hawaii lost their jobs because of the Covid-19 pandemic and most of them are struggling to make ends meet. In fact, more than 580,500 UI claims were filed in 2020 showing just how bad the economy has been for workers throughout Hawaii. This translates to over half of the working population - a staggering and sobering amount.

Most workers have lost their health insurance, many are on the verge of eviction and many are struggling to provide for their families. Simply put, we need to help struggling working families in Hawaii. By exempting the regressive GET on groceries, working families could save more than \$500 a year while spending the additional money elsewhere in the economy. This is a win for working families and a win for many businesses throughout Hawaii. 32 states plus the District of Columbia exempt their sales tax from groceries and hopefully Hawaii can follow. In fact, Hawaii is one of only seven states that fully taxes groceries, which disproportionately affects lower-income families. By supporting S.B. 361, S.D.1 working families will get much needed financial relief.

This is an unprecedented time and one of these worst economic periods in Hawaii's history. Workers and their families need relief, and this bill will help provide much needed financial relief for working families.

We recommend passage of S.B. 361, S.D.1. Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for food or food ingredients

BILL NUMBER: SB 361, SD1

INTRODUCED BY: Senate Committee on Agriculture and Environment

EXECUTIVE SUMMARY: Establishes a general excise tax exemption for the gross proceeds or income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program (SNAP), regardless of the means of purchase and the SNAP eligibility of the person. Applies to taxable years after 12/31/2021.

SYNOPSIS: Adds a new section to chapter 237, HRS, that exempts all of the gross proceeds or income arising from the sale of Supplemental Nutrition Assistance Program eligible items.

Defines "food" or "food product" as substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. "Food" or "food product" does not include food or food ingredients sold from a vending machine, whether cold or hot; alcoholic beverages; dietary supplements; prepared food; or tobacco.

Defines "groceries" as any food or food product for home consumption. The term "groceries" may be further defined by the department by rule through the enumeration of items in rules or tax informational releases; provided that the department shall consult with the federal Food and Nutrition Service of the United States Department of Agriculture in further defining the term "groceries" for purposes of the Supplemental Nutrition Assistance Program.

Defines "soft drinks" as non-alcoholic beverages that contain natural or artificial sweeteners. "Soft drinks" does not include beverages that contain: (1) Milk or milk products; (2) Soy, rice, or similar milk substitutes; or (3) Greater than fifty per cent vegetable or fruit juice by volume.

EFFECTIVE DATE: This Act, upon its approval, shall apply to taxable years beginning after December 31, 2021..

STAFF COMMENTS: This bill attempts to confront the age-old problem, well understood by most sales tax jurisdictions, about how to distinguish between groceries (intended to be exempt) from prepared food and nutritional supplements (intended to be taxable). As a result, definitions that try to distinguish between the two tend to be exceedingly complex, like those here.

This bill attempts to define food, groceries, and soft drinks. However, none of the terms is used or necessary for the proposed exemption, which simply exempts all SNAP eligible items. If the intent is to mirror SNAP, which most supermarkets are already familiar with, then there is no need for those definitions. Furthermore, the discretion given to the Department of Taxation to enumerate items in rules or TIRs, as well as the requirement that the Department only consult

Re: SB 361, SD1
Page 2

with USDA, virtually guarantees that food, groceries, or soft drinks as defined by this bill ***will not*** conform to the SNAP definitions.

Are our lawmakers trying to tax your cake and eat it too?

Digested 2/24/2021



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
FRIDAY, FEBRUARY 26, 2021 AT 9:30 A.M.**

To The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and
Members of the Committee on Ways and Means,

SUPPORT SB361 SD1 RELATING TO THE GENERAL EXCISE TAX

My name is Pamela Tumpap. I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic in terms of our dependence on the visitor industry and corresponding rate of unemployment. I am writing to share our support of SB361 SD1.

We have asked that government to look at ways they can address the high cost of living for many years. Housing, food, transportation, and healthcare are the highest expenses for Hawaii households and exempting food from the General Excise Tax is a step in the right direction. We also support exempting prescription medications from the General Excise Tax.

Other avenues that would help bring down the cost of living include building affordable housing and rentals, reducing the cost of household utilities, addressing the gas tax, and increasing public transportation.

Mahalo for the opportunity to provide testimony and we ask that this bill be passed.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

LATE

The Thirty-First Legislature, State of Hawaii
The Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association

February 26, 2021

S.B. 361, S.D. 1 – RELATING TO GENERAL EXCISE TAX

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO raises serious concerns over the impact of general excise tax exemptions and therefore opposes the intent of S.B. 361, S.D. 1 which provides an exemption for the purchase of groceries.

We will not mince words: both the short-term and long-term economic projections show that our state budget is in a severe crisis. While many steps have already been taken to mitigate the impact of the COVID-19 worldwide pandemic, there remains a delicate and precarious balance of our state finances. Hawai'i is not only reliant only upon a quick and smooth local vaccination rollout, but also a healthy and vibrant economy, therefore now is not the time to concede needed tax revenue. Without a comprehensive and thoughtful plan, the state will be forced to significantly increase taxes, or worse, create new taxes.

Additionally, by creating a blanket exemption on all groceries, both visitors and residents in higher income brackets who can afford to pay this tax will no longer pay. Although this tax policy benefits those who need it most, it also equally benefits those who can afford it. We respectfully contend that fiscal policy that specifically assists lower-income thresholds like the Earned Income Tax Credit will better serve our state.

Now, more than ever, we cannot afford piecemeal legislation without considering the total financial picture. We must shore up our revenue picture so that we can recover together as a community. Therefore, we respectfully request the Committee defer this measure.

Thank you for the opportunity to testify in opposition to S.B. 361, S.D. 1.

Respectfully submitted,

Randy Perreira
Executive Director

LATE



1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiiifood.com

Executive Officers

Joe Carter, Coca-Cola Bottling of Hawaii, *Chair*
Charlie Gustafson, Tamura Super Market, *Vice Chair*
Eddie Asato, The Pint Size Corp., *Secretary/Treas.*
Lauren Zirbel, HFIA, *Executive Director*
John Schlif, Rainbow Sales and Marketing, *Advisor*
Stan Brown, Acosta Sales & Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Beau Oshiro, C&S Wholesale Grocers, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*

TO:
Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 26, 2021
TIME: 9:30am
PLACE: Via Videoconference

RE: SB361 SD1 Relating to General Excise Tax

Position: Support

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

The economic crisis caused by the COVID-19 pandemic has hit Hawaii harder than any other state. More Hawaii families are struggling than ever before. This measure is a common sense way to immediately bring down the cost of living for all Hawaii residents. This will have the greatest benefit for lower income Hawaii households, who spend a larger proportion of their income on food and other essential items.

Hawaii has the highest cost of living of any state, and we are one of the only states where residents pay taxes on their groceries.

Food is a major expense for Hawaii families. According to 2019 USDA data a Thrifty Food Plan for a family of four in Hawaii is \$1176.00 a month, the national average for the same plan during the same period was \$654.10¹.

¹ USDA Food Plans: Cost of Food Reports (monthly reports)
<https://www.fns.usda.gov/cnpp/usda-food-plans-cost-food-reports-monthly-reports>

This means that even thrifty families are likely spending more on taxes when they buy groceries than they are getting back from the food excise tax credit.

Most states recognize that taxing groceries is regressive and disproportionately impacts lower income families. Thirty-two states plus the District of Columbia exempt groceries from their sales taxes, and another six states tax groceries at lower rates than other goods. It is time for Hawaii to join this majority.

While the food excise tax credit helps it is not a solution. Many families who are struggling will not get the full amount that they pay in food taxes back. Families also have to wait to access these funds until their taxes are filled each year, which does not have the same benefit as keeping the money in people's pockets or allowing it to circulate in the economy.

Hawaii's high cost of living is a constant topic of conversation and each year we see a lot of bills that try to address one segment of this problem or another. This year more than ever so many Hawaii families are struggling and need immediate relief. Exempting groceries from the GET is a comprehensive solution that would actually make it less expensive to live in Hawaii as soon as the measure is implemented. Designating SNAP eligible foods as those that are exempt from the GET is an efficient way to ensure that the exemption applies to the intended products.

Saving 4.712% on their grocery bill would mean that Hawaii families can put that money towards things like buying more fruits and vegetables, saving for retirement, and investing in their communities. Keeping the money in the local economy and in the hands of people that need it benefits everyone, especially lower income families.

For these reasons we encourage you to vote yes on this measure, we thank you for the opportunity to testify.