

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M. R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 855, Relating to General Excise Tax Exemptions

BEFORE THE:

House Committee on Health & Homelessness

DATE: Friday, February 3, 2023

TIME: 8:30 a.m.

LOCATION: State Capitol, Room 329

Chair Au Bellati, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 855 for your consideration.

H.B. 855 adds a new section to chapter 237, Hawaii Revised Statutes, exempting "all gross proceeds or income arising from the manufacture, production, packaging, and sale of diapers within the state." The measure defines "diapers" as including both washable and disposable absorbent garments worn by infants and toddlers. The measure takes effect on July 1, 2023.

The Department requests that this bill be made effective on or after January 1, 2024 to allow sufficient time to make the necessary form and computer system modifications.

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



February 1, 2023

To: Rep. Della Au Belatti, Rep. Jenna Takenouchi, and Members of the House of Representatives Committee on Health and Homelessness

Re: **HB 855 – Relating to General Excise Tax Exemptions; Diapers**

Aloha Rep. Della Au Belatti, Rep. Jenna Takenouchi, and Members of the House of Representatives Committee on Health and Homelessness -

My name is Hannah London, and I am the Board Chair of the Hawai'i Diaper Bank, the state's first nonprofit organization dedicated to providing diapers, wipes and other basic essentials to low-income families with young children. I am writing in support of **HB 855, establishing a general excise tax exemption for the gross proceeds or income from the manufacture, production, packaging, and sale of diapers.**

One out of every three families struggles with diaper need (the inability to provide a sufficient supply of diapers to keep their child clean, dry, and healthy). Unlike many other necessities, there is currently no governmental assistance for purchasing diapers. As a result, the average low-income family spends about **\$1,000 per year on diapers**, a substantial portion of their annual income. To make ends meet, some families report “stretching” the time between diaper changes. This can and often does lead to diaper rash, skin breakdown and other painful infections. Aside from the obvious health issues that are implicated when there is not an adequate supply of diapers for a child, almost **three in five parents who experience diaper need report missing work or school** because they do not have enough diapers to drop their children off at childcare. Therefore, lack of diapers not only prevents children from accessing early education, it also prevents their parents from returning to the work force, thereby reinforcing the cycle of diaper need. **HB 855 would aid our fight against diaper need for those already working hard to make their families economically stable by eliminating barriers to employment and/or education.**

I appreciate the opportunity to provide testimony in support of HB 855. Since our founding, Hawai'i Diaper Bank has distributed more than 1.6 million donations to low-income families like the M.L. Ohana, who until recently, were living out of their car. In addition to providing diapers, wipes, and other essentials, we connect families to partner organizations who assist with housing, employment, and health care services. A sufficient diaper supply provides immediate relief to families who are struggling to provide the basics for their children and allows parents to tackle other issues like paying rent and utilities, getting food on the table, and supporting the healthy development of their children. I respectfully request your support of HB 855 so that the families we serve, who fight every day to keep their children safe and healthy, have a chance to succeed.

Mahalo Nui Loa,

Hannah London
Board Chair



hannah@hawaiidiaperbank.org
(808) 731-6611



Honorable Della Au Belatti
Hawaii State Capitol
415 South Beretania St.
Honolulu, HI 96813

RE: Support HB 855 (Kitagawa) to Exempt Diaper from General Excise Tax

Dear Chair Belatti:

We write to convey our support of House Bill 855, sponsored by Representative Kitagawa, to exempt diapers from general excise tax in Hawaii. This legislation recognizes the economic importance of clean diapers to children and their families. We want to stress the importance of passing this legislation for the families in Hawaii.

Passing HB 833 and exempting diapers would produce three important economic benefits. First, the money saved from no longer paying this tax would be reinvested in the economy as families spend their tax break on meeting other basic needs or investing in their future. Research in Connecticut showed for every \$10,000 of diaper assistance invested in local families, the total personal income of the families helped increased by \$114,000.

Second, one in three U.S. families struggles to provide enough diapers to keep their baby clean, dry, and healthy. Most child care providers require families to provide a full day's worth of diapers when they drop their child off at the center. When parents are not able to provide the 5-10 diapers required, they are often forced to miss work. This costs the family a day's wages and the employer loses productivity. A recent report estimated the national annual cost of the child care crisis at \$57 billion.

Third, children need diapers to stay healthy and avoid infection risks. Children go through 6-12 diapers each day during the two to three years they wear diapers. Without enough diapers, infants and toddlers are at risk of skin infections, open sores, urinary tract infections, and other conditions that may require medical attention. Removing the burden of the general excise tax on these items will help prevent unnecessary medical costs.

House Bill 855 provides an opportunity for Hawaii to show critical leadership in investing in working families. Currently, only 13 states have permanently exempted diapers from sales taxes, additionally Florida and Indiana temporarily exempted diapers last year. By passing House Bill 855, Hawaii can join these states in recognizing the importance of diapers for providing families with opportunities.

Respectfully:

Lacey Gero
Manager of State Policy
National Diaper Bank Network



February 1, 2023

To: Rep. Della Au Belatti, Rep. Jenna Takenouchi, and Members of the House of Representatives Committee on Health and Homelessness

Re: **HB 855 – Relating to General Excise Tax Exemptions; Diapers**

Aloha Rep. Della Au Belatti, Rep. Jenna Takenouchi, and Members of the House of Representatives Committee on Health and Homelessness -

As the founder and president of the Hawai'i Diaper Bank (HDB). I am writing in support of **HB 855, establishing a general excise tax exemption for the gross proceeds or income from the manufacture, production, packaging, and sale of diapers.**

One out of every three families struggles with diaper need (the inability to provide a sufficient supply of diapers to keep their child clean, dry, and healthy). HDB is committed to the health and wellbeing of Hawaii's 'ohana. As a nurse and mother, I can speak to the importance of this essential item and that a diaper is not just a diaper. Hygienically it is necessary for obvious reasons. However, if there is not an adequate supply and children are left in diapers longer than desirable other urinary tract infections and diaper rash can occur. This not only can lead to severe infections but causes increased stress to the caregiver. On top of that diapers are expensive costing families about **\$1,000 each year per child.**

The poorest fifth of Americans who buy diapers spend nearly **14% of their post-tax income** on them. Many diaper banks have seen a 2-3x increase in demand during the pandemic and on average, increased distribution by 86%. 33 states (plus Washington D.C.) exempt food from their general sales tax and 5 states tax food at a lower rate than other goods. Like food, diapers are a basic necessity that families with young children require to thrive. 13 states have permanently exempted diapers from sales tax, including most recent additions Iowa and Virginia. Florida and Indiana both exempted diapers from sales tax last year on a temporary basis.

HB2414 would aid the fight against diaper need for those already working hard to make their families economically stable. Thank you for the opportunity to provide testimony in support of HB855. Please feel free to contact me via email with any questions or concerns.

Mahalo Nui Loa,



Jessica Histo

Founder and President



jessica@hawaiidiaperbank.org



Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: House Committee on Health & Homelessness

Re: **HB 855 – Relating to General Excise Tax Exemption; Diapers**
Hawai'i State Capitol, Via Videoconference & Conference Room 329
February 3, 2023, 8:30 AM

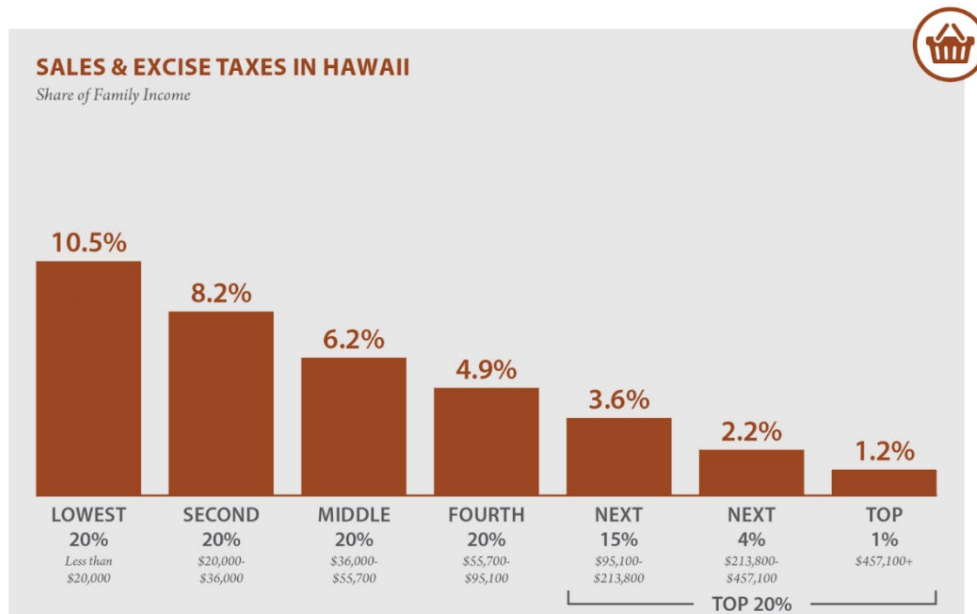
Dear Chair Belatti, Vice Chair Amato, and committee members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in SUPPORT of HB 855, relating to general excise tax exemption; diapers. This bill would establish a general excise tax exemption for the gross proceeds or income from the manufacture, production, packaging, and sale of diapers.

Hawai'i's tax system is upside down. Families who earn less than \$20,000 per year pay 15 percent of their income in state and local taxes, while those who make over \$450,000 pay only about 9 percent. In fact, our state saddles our low-income families with the second-heaviest state and local tax burden in the nation.¹

The main reason that low-income families pay more than those at the top is the General Excise Tax (GET), which is applied to nearly all goods and services in Hawai'i. It hits our low-income and working-class families harder because they spend almost all of their earnings on items and services that are taxed by the GET.

That means that Hawai'i families who earn less than \$20,000 per year pay almost nine times as much of their income (10.5 percent) in the GET than those who make over \$450,000 (1.2 percent).²



¹ Institute on Taxation and Economic Policy, <https://itep.org/whopays/hawaii/>

² Institute on Taxation and Economic Policy, <https://itep.org/whopays/hawaii/>



Diapers are a major expense for Hawaii families with small children. Diapers are essential to babies' and toddlers' health, and they each require at least 50 diaper changes per week, or 200 diaper changes per month. For every percentage point reduction in sales tax, families could buy two additional diapers per month, according to the National Diaper Bank Network.³

The regressive nature of the GET makes it difficult for many families to afford basic life necessities, such as diapers. Hawaii is one of 29 states that charges sales or excise tax on diapers.⁴ Hawaii should join the states that have exempted diapers, in order make it a little easier for families with keiki to afford to live here.

Mahalo for the opportunity to provide this testimony. Please help alleviate the tax burden on local families by exempting diapers from the GET, by passing this bill.

Thank you,

Nicole Woo
Director of Research and Economic Policy

³ National Diaper Bank Network, <https://nationaldiaperbanknetwork.org/state-issues/>

⁴ National Diaper Bank Network, <https://nationaldiaperbanknetwork.org/state-issues/>



Date: February 1, 2023

To: House Committee on Health and Homelessness
Representative Della Au Belatti, Chair
Representative Jenna Takenouchi, Vice Chair

From: Early Childhood Action Strategy

Re: Support for **HB855**, Relating to a general excise tax exemption for diapers

Early Childhood Action Strategy (ECAS) is a statewide cross-sector collaborative designed to improve the system of care for Hawai'i's youngest children and their families. ECAS partners work to align priorities for children prenatal to age eight, streamline services, maximize resources, and improve programs to support our youngest keiki.

ECAS strongly supports passage of HB855, which would exclude diapers from the general excise tax.

One out of every three families in Hawai'i struggles with diaper need (the inability to provide a sufficient supply of diapers to keep their child clean, dry, and healthy). Unlike many other necessities, there is currently no governmental assistance for purchasing diapers. As a result, the average low-income family spends about **\$1,000 per year on diapers**, a substantial portion of their annual income. To make ends meet, some families report "stretching" the time between diaper changes. This can and often does lead to diaper rash, skin breakdown and other painful infections. Aside from the obvious health issues that are implicated when there is not an adequate supply of diapers for a child, almost **three in five parents who experience diaper need report missing work or school** because they do not have enough diapers to drop their children off at childcare. Therefore, lack of diapers not only prevents children from accessing early educational, it also prevents their parents from returning to the work force, thereby reinforcing the cycle of diaper need. **HB855 would aid the fight against diaper need for those already working hard to make their families economically stable and would help to eliminate a barrier to employment and education.**

Thank you for this opportunity to provide testimony **in support of HB855**.



**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 3, 2023**

Re: HB 855 RELATING TO GENERAL EXCISE TAX EXEMPTION

Good morning, Chair Belatti and members of the House Committee on Health & Homelessness. 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 are in support of HB 855 Relating to General Excise Tax Exemption. This measure establishes a general excise tax exemption for the gross proceeds or income from the manufacture, production, packaging, and sale of diapers.

An exemption from the General Excise Tax would be especially beneficial to all especially low-income households. This tax exemptions would make diapers more affordable, especially to low-income families. The National Diaper Bank Network estimates that babies need about 50 diapers changes per week or 200 diapers a month. By reducing the sales tax, families can buy two additional diapers for every percentage point reduction in the sales tax for the same money they would have used to buy 200 diapers with tax.

We hope that this measure would be extended to include adult diapers at that will help with the elderly who are on fixed income but also needs to use adult diapers.

Mahalo again for this opportunity to testify.

HB-855

Submitted on: 2/1/2023 6:21:00 PM

Testimony for HLT on 2/3/2023 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Angelina Mercado	Hawaii State Coalition Against Domestic Violence	Support	Written Testimony Only

Comments:

Aloha,

We support HB 855, establishing a general excise tax exemption for the gross proceeds or income from the manufacture, production, packaging, and sale of diapers.

Sincerely,

Angelina Mercado, Executive Director, HSCADV



The Thirty-Second Legislature, State of Hawaii
Senate Committee on Health and Homelessness
Honorable Chair Della Au Belatti
Honorable Vice Chair Jenna Takenouchi
Representative Terez Amato
Representative Greggor Ilagan
Representative Bertrand Kobayashi
Representative John M. Mizuno
Representative Scott Y. Nishimoto
Representative Diamond Garcia

Friday, February 3, 2023, 1:00 pm

RE: Support for HB855 - Relating to General Excise Tax Exemptions

Dear Chair Belatti, Vice Chair Takenouchi, and members of the Committee,

Ma'i Movement Hawai'i **supports HB855** which serves to include exemption of diapers from the general excise tax. Ma'i Movement Hawai'i is a locally grown organization committed to addressing menstrual inequity and ending period poverty, or the inability to buy and access menstrual products, due to factors including but not limited to financial constraints, lack of education, societal shame or stigma, and inadequate access to a clean facilities to maintain proper hygiene.

As we know from our work in the menstrual equity and period poverty space, Hawai'i households with children that struggle to meet basic needs are the same to be affected by diaper need. One in three families struggle to afford clean diapers for their children nationally. Hawai'i keiki who come from low-income families are at-risk to meet their diaper needs, which are essential to a baby's healthy development and necessary to build a strong foundation for health growth and to reach their full potential.

We urge you to support **HB855** and welcome you to contact us with any additional questions you may have. Mahalo for your leadership and service to Hawai'i!

Aloha,

Nikki-Ann Yee
Co-Founder & President
Ma'i Movement Hawai'i

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exemption for Diaper Manufacturing

BILL NUMBER: HB 855

INTRODUCED BY: KITAGAWA, AMATO, COCHRAN, GANADEN, HUSSEY-BURDICK, KAPELA, LAMOSAO, MARTEN, MATAYOSHI, MORIKAWA, NAKASHIMA, NISHIMOTO, PERRUSO, POEPOE, TAKENOUCI, TARNAS, TODD

EXECUTIVE SUMMARY: Establishes a general excise tax exemption for the gross proceeds or income from the manufacture, production, packaging, and sale of diapers.

SYNOPSIS: Adds a new section to chapter 237, HRS, that would exempt the gross proceeds or income arising from the manufacture, production, packaging, and sale of diapers within the State.

Defines “diaper” as an absorbent garment that: (1) Is washable or disposable that may be worn by an infant or toddler who is not toilet-trained; and (2) If disposable: (A) Does not use any latex or common allergens; and (B) Meets or exceeds the quality standards for diapers commercially available through retail sale in the following categories: (i) Absorbency (with acceptable rates for first and second wetting); (ii) Waterproof outer cover; (iii) Flexible leg openings; and (iv) Refastening closures.

EFFECTIVE DATE: July 1, 2023.

STAFF COMMENTS: The use of the tax system to provide financial assistance in the form of preferential tax treatment under the general excise tax is an inefficient use of the tax system. This preferential treatment proposed in this measure amounts to nothing more than a subsidy as there is no obvious undue burden of taxes. If this measure is enacted, it will provide one industry with preferential treatment. That is bad tax policy.

It should be remembered that giving tax breaks to one select group of taxpayers comes at the expense of all other taxpayers. Rather than singling out a particular area for tax relief, concurrent efforts must be made to improve Hawaii’s business climate to enhance the economic prospects for all businesses.

If lawmakers want to subsidize this specific industry, then an appropriation of funds is far more accountable as taxpayers will then know who is to receive the subsidy, how much is being spent and then they can judge whether or not this is an appropriate use of state taxpayer dollars.

Digested: 2/1/2023

HB-855

Submitted on: 2/1/2023 1:51:41 PM

Testimony for HLT on 2/3/2023 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jennah	Individual	Support	Written Testimony Only

Comments:

I support the exemption of general excise tax on food and needed products such as diapers and feminine hygiene products.

HB-855

Submitted on: 2/1/2023 10:21:52 PM

Testimony for HLT on 2/3/2023 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Erica Yamauchi	Individual	Support	Written Testimony Only

Comments:

To: Rep. Della Au Belatti, Rep. Jenna Takenouchi, and Members of the House of Representatives Committee on Health and Homelessness

Re: HB 855 – Relating to General Excise Tax Exemptions; Diapers

Aloha, Rep. Della Au Belatti, Rep. Jenna Takenouchi, and Members of the House of Representatives Committee on Health and Homelessness -

I am writing in support of HB 855, establishing a general excise tax exemption for the gross proceeds or income from the manufacture, production, packaging, and sale of diapers.

One out of every three families struggles with diaper need (the inability to provide a sufficient supply of diapers to keep their child clean, dry, and healthy). Unlike many other necessities, there is currently no governmental assistance for purchasing diapers. As a result, the average low-income family spends about \$1,000 per year on diapers, a substantial portion of their annual income. To make ends meet, some families report “stretching” the time between diaper changes. This can and often does lead to diaper rash, skin breakdown and other painful infections.

Aside from the obvious health issues that are implicated when there is not an adequate supply of diapers for a child, almost three in five parents who experience diaper need report missing work or school because they do not have enough diapers to drop their children off at childcare.

Therefore, lack of diapers not only prevents children from accessing early educational, it also prevents their parents from returning to the workforce, thereby reinforcing the cycle of diaper need. HB855 would aid the fight against diaper need for those already working hard to make their families economically stable by eliminating barriers to employment and/or education.

I appreciate the opportunity to provide testimony in support of HB855 and respectfully request your support.

Erica Yamauchi, Kaimukī/Wilhelmina Rise



February 1, 2023

Rep. Della Au Belatti, Chair
Rep. Jenna Takenouchi, Vice Chair
Committee on Health & Homelessness
Conference Room 329
State Capitol
Friday, February 3, 2023 at 8:30AM

Re: HB-855- relating to general excise tax exemption; diaper

Dear Chair Au Belatti, Vice Chair Takenouchi, and committee members,

On behalf of the Aloha Diaper Bank, We write in support of HB855, which would establish a general excise tax exemption on diapers.

The Aloha Diaper Bank is a local non-profit that has provided over 500,000 essential diapers to low-income families, the homeless, and women in crisis for the past three and half years. Through our work, we have met many families struggling to make ends meet and a tax exemption on diapers would help limited diaper budgets stretch further.

On average, in Hawai'i, diapers can cost up to \$100 a month, that \$4.50 in taxes for a month supply of diapers. If the general excise tax on diapers was exempted that would provide Hawai'i families with additional monies that can purchase a gallon of milk, a carton of eggs, or a public school lunch for an older child. Unlike a tax credit, an exemption on sales tax is an immediate benefit to the family buying diapers. It would require less cost to administer than a tax credit would, and it arrives at the time the family needs it most—when they are buying diapers. Moreover, it does not require that parents make enough income to pay income tax, as many tax credit programs do.

There are currently 20 states and the District of Columbia that do not tax diapers—that includes five states with no sales tax and 16 states that specifically exempt diapers. Let's add Hawai'i to that list! We appreciate the opportunity to provide testimony in support of HB 855 and respectfully request the committee to support this measure.

Thank you,

Anne Komatsu,
Executive Director

Catherine Kerch,
Director of Programs & Operations

TO: Members of the Committee on Health & Homelessness

FROM: Natalie Iwasa
808-395-3233

HEARING: 8:30 a.m. Friday, February 3, 2023

SUBJECT: HB 855, General Excise Tax Exemption for Diapers - **OPPOSED**

Aloha Chair Au Belatti and Committee Members,

Thank you for allowing the opportunity to provide testimony on HB 855, which would establish a general excise tax exemption for gross proceeds from the manufacture, production, packaging and sale of diapers.

Disposable diapers should not receive any kind of exemption from taxes.

If you are concerned about low-income families, how about removing the GET from food instead, i.e., groceries, not fast food?

Please vote "no" on HB 855.



HB-855

Submitted on: 2/3/2023 9:05:38 AM

Testimony for HLT on 2/3/2023 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Melisa D. Haile	Individual	Support	Written Testimony Only

Comments:

As a mother and perinatal community health worker and full-spectrum doula, I support this bill in increasing the accessibility and affordability of diapers in Hawai'i.