

JAN 22 2021

A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the cost of living
2 in Hawaii is extremely high and too many residents are
3 struggling to pay for housing, food, and medication. According
4 to data from the Missouri Economic Research and Information
5 Center, Hawaii had the highest cost of living in 2019. Coupled
6 with the high cost of living, the coronavirus disease 2019
7 (COVID-19) pandemic has further exacerbated the problem of
8 residents being unable to afford necessities like groceries.
9 The legislature further finds that thirty-two states, plus the
10 District of Columbia, currently exempt most foods purchased for
11 consumption at home from the state sales tax. Grocery sales tax
12 is often considered regressive and disproportionately hurts
13 working families and may affect the quality, diversity, and even
14 the amount of food they can afford to put on the table,
15 especially during a pandemic.

16 The legislature also finds that the COVID-19 pandemic has
17 led to over two hundred fifty thousand workers in Hawaii losing



1 their jobs, leaving all those families to suffer financially.
2 Exempting groceries and nonprescription drugs from the general
3 excise tax will help many families that have been impacted
4 negatively by the COVID-19 pandemic and allow them to put food
5 on the table and maintain the health of their families. In
6 addition, workers and their families who may save money on
7 groceries and nonprescription drugs purchases will be able to
8 spend that money elsewhere in the economy, thus allowing the
9 money to continue to circulate, which will help many businesses
10 and continue to generate revenue for the State.

11 Accordingly, the purpose of this Act is to:

12 (1) Establish a general excise tax exemption for the gross
13 proceeds or income from the sale of groceries that are
14 eligible under the Supplemental Nutrition Assistance
15 Program or Special Supplemental Nutrition Program for
16 Women, Infants, and Children; and

17 (2) Establish a general excise tax exemption for the gross
18 proceeds or income from the sale of nonprescription
19 drugs.



1 SECTION 2. Chapter 237, Hawaii Revised Statutes, is
2 amended by adding two new sections to be appropriately
3 designated and to read as follows:

4 "§237- Exemption for eligible groceries. (a) There
5 shall be exempted from, and excluded from the measure of, the
6 taxes imposed by this chapter all of the gross proceeds or
7 income received from the sale of all groceries eligible for
8 purchase under the Supplemental Nutrition Assistance Program and
9 Special Supplemental Nutrition Program for Women, Infants, and
10 Children within the State, regardless of the means of purchase
11 and the eligibility of the purchaser for Supplemental Nutrition
12 Assistance Program or Special Supplemental Nutrition Program for
13 Women, Infants, and Children benefits.

14 (b) For the purposes of this section:

15 "Food" or "food product" means substances, whether in
16 liquid, concentrated, solid, frozen, dried, or dehydrated form,
17 that are sold for ingestion or chewing by humans and are
18 consumed for their taste or nutritional value.

19 "Groceries" means any food or food product for home
20 consumption. "Groceries" may be further defined by the
21 department by rule through the enumeration of items in rules or



1 tax informational release; provided that the department shall
2 consult with the federal Food and Nutrition Service of the
3 United States Department of Agriculture in further defining the
4 term "groceries" for purposes of the Supplemental Nutrition
5 Assistance Program and Special Supplemental Nutrition Program
6 for Women, Infants, and Children.

7 §237- Exemption for nonprescription drugs. (a) There
8 shall be exempted from, and excluded from the measure of, the
9 taxes imposed by this chapter all of the gross proceeds or
10 income received from the sale of nonprescription drugs.

11 (b) For the purposes of this section:

12 "Drug" means:

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

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



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

4 (4) Articles intended for use as a component of any
5 article specified in paragraph (1), (2), or (3);
6 provided that the term "drug" does not include devices
7 or their components, parts or accessories, cosmetics,
8 or liquor as defined in section 281-1.

9 "Nonprescription drug" means any packaged, bottled, or
10 nonbulk chemical, drug, or medicine that may be lawfully sold
11 without a practitioner's order."

12 SECTION 3. New statutory material is underscored.

13 SECTION 4. This Act shall take effect on January 1, 2022.

14

INTRODUCED BY: Rosaly H. Beh



S.B. NO. 608

Report Title:

General Excise Tax; Certain Groceries; Nonprescription Drugs; Exemption

Description:

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 or Special Supplemental Nutrition Program for Women, Infants, and Children, regardless of the means of purchase and the program eligibility of the purchaser. Establishes a general excise tax exemption for the gross proceeds or income from the sale of nonprescription drugs.

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