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# 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.

6           The legislature further finds that the general excise tax  
7 is levied on nearly every economic activity, which, due to the  
8 highly regressive structure of the tax, disproportionately  
9 affects low-income and middle-class families. The regressive  
10 nature of Hawaii's general excise tax makes it difficult for  
11 some families to afford basic life necessities, such as food,  
12 medicine, and diapers. Coupled with the high cost of living,  
13 the coronavirus disease 2019 (COVID-19) pandemic has further  
14 exacerbated the problem of local families and individuals being  
15 unable to afford these necessities.

16           Diapers are a large expense for Hawaii families with small  
17 children and are essential to the health of babies and toddlers



1 as they each require about fifty diaper changes per week, or  
2 roughly two hundred diaper changes per month. However,  
3 according to the National Diaper Bank Network, one in three  
4 families struggle to afford clean diapers for their children.

5 Hawaii children who come from low-income families are at-  
6 risk regarding their diaper needs. According to the National  
7 Diaper Bank Facts on Hawaii, eleven per cent of Hawaii families  
8 are recipients of supplemental nutrition assistance program  
9 benefits with children under the age of five; twenty-three per  
10 cent of Hawaii families are women, infants, and children program  
11 benefit recipients with infant children; and thirty-three per  
12 cent of Hawaii families receive temporary assistance for needy  
13 families benefits with at least one child under the age of  
14 three. The maximum amount a family of one parent and two  
15 children can receive in Temporary Assistance for Needy Families  
16 benefits is \$610. It is estimated that thirteen per cent of  
17 this maximum benefit goes toward diaper needs. Additionally,  
18 thirty-one per cent of Hawaii families have births covered by  
19 Medicaid. Data show that there is a significant number of  
20 families who are at risk of not having enough financial



1 resources to provide necessities, including food, medicine, and  
2 diapers, for their children.

3 Many child care facilities require parents to provide  
4 diapers for their children. Families that do not have access to  
5 clean diapers cannot access child care and often miss work,  
6 which reduces their monthly income. Hawaii currently has two  
7 National Diaper Bank Network member diaper banks that provide  
8 diapers to families; however, these banks do not meet the needs  
9 of all families who struggle to provide clean diapers for their  
10 children. According to the National Diaper Bank, an average  
11 monthly supply of diapers costs approximately \$80. According to  
12 the American Academy of Pediatrics (AAP), families may spend  
13 close to \$1,000 on disposable diapers during the first year of a  
14 child's life, which does not include the costs of diaper wipes,  
15 diaper creams, and other diapering items.

16 Dirty diapers also put healthy children at risk of various  
17 diseases due to parasites, bacteria, and viruses linked to dirty  
18 diapers. Dirty diapers can cause diaper rash or diaper  
19 dermatitis, including *Candida*, a type of yeast infection, and  
20 *Seborrhea*, a type of infectious skin condition caused when skin  
21 is exposed to moisture, friction, urine, stool, or other skin



1 irritants. Other germs found in dirty diapers are salmonella,  
2 listeria, and norovirus, which can cause a healthy child to  
3 quickly fall ill. According to AAP, hepatitis A is the most  
4 common viral infection found in dirty diapers, which can lead to  
5 other hepatitis-related infections. AAP also found that certain  
6 diaper dermatitis can lead to bladder infections that can cause  
7 urinary tract infections, which more commonly affect girls.

8 The legislature notes that the COVID-19 pandemic has led to  
9 over two hundred fifty thousand workers in Hawaii losing their  
10 jobs, leaving all those families to suffer financially. The  
11 legislature further notes that thirty-two states, plus the  
12 District of Columbia, currently exempt most foods purchased for  
13 consumption at home from the state sales tax. The legislature  
14 also finds that there are several other states that exempt  
15 diapers from sales or excise taxes, while Hawaii does not.

16 The legislature believes that Hawaii should follow the lead  
17 of these states by exempting certain necessities from the  
18 general excise tax. Exempting certain food, nonprescription  
19 drugs, and diapers from the general excise tax will help many  
20 families that have been impacted negatively by the COVID-19  
21 pandemic and allow them to maintain the health of their



1 families. In addition, workers and their families who may save  
2 money on these purchases will be able to spend that money  
3 elsewhere in the economy, thus allowing the money to continue to  
4 circulate, which will help many businesses and continue to  
5 generate revenue for the State.

6 Accordingly, the purpose of this Act is to help alleviate  
7 the general excise tax burden on local families and individuals  
8 by establishing general excise tax exemptions for the gross  
9 proceeds or income derived from the:

- 10 (1) Sale of food and food ingredients in the State;  
11 (2) Sale of nonprescription drugs in the State; and  
12 (3) Manufacture, production, packaging, and sale of  
13 diapers in the State.

14 SECTION 2. Chapter 237, Hawaii Revised Statutes, is  
15 amended by adding three new sections to be appropriately  
16 designated and to read as follows:

17 "§237- Exemption for sales of food. There shall be  
18 exempted from, and excluded from the measure of, the taxes  
19 imposed by this chapter all of the gross proceeds or income  
20 arising from the sale of Supplemental Nutrition Assistance



1 Program-eligible items; provided that soft drinks shall not be  
2 exempted by this section.

3 §237- Exemption for nonprescription drugs. (a) There  
4 shall be exempted from, and excluded from the measure of, the  
5 taxes imposed by this chapter all of the gross proceeds or  
6 income received from the sale of nonprescription drugs.

7 (b) For the purposes of this section:

8 "Drug" means:

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

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

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



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

6       "Nonprescription drug" means any packaged, bottled, or  
7       nonbulk chemical, drug, or medicine that may be lawfully sold  
8       without a practitioner's order; provided that "nonprescription  
9       drug" does not include cannabis or manufactured cannabis  
10       products authorized pursuant to chapters 329 and 329D.

11       §237- Exemption for diapers. (a) There shall be  
12       exempted from, and excluded from the measure of, the taxes  
13       imposed by this chapter all the gross proceeds or income arising  
14       from the manufacture, production, packaging, and sale of diapers  
15       within the State.

16       (b) For the purposes of this section, "diaper" means an  
17       absorbent garment that:

18       (1) Is washable or disposable that may be worn by an  
19       infant or toddler who is not toilet-trained; and

20       (2) If disposable:

21       (A) Does not use any latex or common allergens; and



- 1           (B) Meets or exceeds the quality standards for
- 2           diapers commercially available through retail
- 3           sale in the following categories:
- 4           (i) Absorbency (with acceptable rates for first
- 5           and second wetting);
- 6           (ii) Waterproof outer cover;
- 7           (iii) Flexible leg openings; and
- 8           (iv) Refastening closures."

9           SECTION 3. New statutory material is underscored.

10          SECTION 4. This Act shall take effect on July 1, 2050.

**Report Title:**

General Excise Tax Exemption; Food and Food Ingredients;  
Nonprescription Drugs; Diapers

**Description:**

Establishes a general excise tax exemption for the gross proceeds or income derived from the: (1) sale of food; (2) sale of nonprescription drugs; and (3) manufacture, production, packaging, and sale of diapers. Effective 7/1/2050. (SD1)

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