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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 Hawaii has the  
2 highest cost of living in the nation. The general excise tax is  
3 levied on nearly all economic activity, which creates a highly  
4 regressive tax system by disproportionately affecting low-income  
5 and middle-class families as a percentage of total  
6 income. Although businesses are required to pay general excise  
7 taxes out of their gross receipts, those taxes are passed on to  
8 customers in the form of higher prices.

9           Food is a major expense for Hawaii families. In 2014, the  
10 average spent on food annually for a two-person household was  
11 \$9,978 in Maui county, \$9,901 in Kauai county, \$9,467 in  
12 Honolulu county, and \$7,676 in Hawaii county. An average two-  
13 person household would save over \$400 each year if food were  
14 exempt from the general excise tax, which is significantly more  
15 than the existing food income tax credit for low-income  
16 families. Larger households would have an even greater savings.

17           Thirty-two states plus the District of Columbia exempt  
18 groceries from their sales taxes, and another six states tax



1 groceries at lower rates than other goods. The legislature  
2 finds that it is time for Hawaii to join this majority.

3 Health care is another major expense for local  
4 families. Hawaii is one of only a handful of states that taxes  
5 medical and dental services. Each physician supports an average  
6 of \$2.2 million in annual economic output and 13.84  
7 jobs. Hawaii's tax policy burdens the ability of medical  
8 professionals to support the local community and makes their  
9 services more expensive for residents. Forty-one states  
10 generally exclude medical services from their sales taxes.

11 Because the general excise tax affects almost all areas of  
12 economic activity, it can make it difficult for average families  
13 to afford basic life expenses like food and medical care. The  
14 purpose of this Act is to help alleviate the general excise tax  
15 burden on local households by exempting food, medical services,  
16 and feminine hygiene products.

17 SECTION 2. Chapter 237, Hawaii Revised Statutes, is  
18 amended by adding a new section to be appropriately designated  
19 and to read as follows:

20 "§237- Amounts not taxable for food. (a) The excise tax  
21 assessed under this chapter shall not apply to amounts received  
22 for food or food ingredients.



1        (b) The excise tax assessed under this chapter shall apply  
2 to food or food ingredients that are furnished, prepared, or  
3 served as meals, except:

4        (1) In the case of persons sixty years of age or over, or  
5 who receive supplemental security income benefits, or  
6 disability or blindness payments under Title I, II, X,  
7 XIV, or XVI or the Social Security Act (42 U.S.C. 301  
8 et set., 401 et seq., 1201 et seq., 1351 et seq., 1381  
9 et seq.) and their spouses, meals prepared by and  
10 served in senior citizen's centers, apartment  
11 buildings occupied primarily by such persons, public  
12 or private nonprofit establishments, eating or  
13 otherwise, that feed such persons, private  
14 establishments that contract with the appropriate  
15 agency of the State to offer meals for such persons at  
16 concessional prices, and meals prepared for and served  
17 to residents of federally subsidized housing for the  
18 elderly;

19        (2) In the case of persons sixty years of age or over and  
20 persons who are physically or mentally handicapped or  
21 otherwise disabled that they are unable to adequately  
22 prepare all of their meals, meals prepared for and  
23 delivered to them and their spouses at their home by a



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1           public or private nonprofit organization or by a  
2           private establishment that contracts with the  
3           appropriate state agency to perform such services at  
4           concessional prices;

5       (3) In the case of disabled or blind recipients of  
6           benefits under Title I, II, X, XIV, or XVI or the  
7           Social Security Act (42 U.S.C. 301 et set., 401 et  
8           seq., 1201 et seq., 1351 et seq., 1381 et seq.), who  
9           are residents in a public or private nonprofit group  
10          living arrangement that serves no more than sixteen  
11          residents and is certified by the appropriate state  
12          agency or agencies, meals prepared and served under  
13          such arrangement;

14       (4) In the case of women and children temporarily residing  
15          in public on private nonprofit shelters for battered  
16          women and children, meals prepared and served by such  
17          shelters; and

18       (5) In the case of households that do not reside in  
19          permanent dwellings and households that have no fixed  
20          mailing addresses, meals prepared for and served by a  
21          public or private nonprofit establishment approved by  
22          an appropriate state or local agency that feeds such  
23          individuals by private establishments that contract



1           with the appropriate agency of the State to offer  
2           meals for such individuals at concessional prices.

3           (c) As used in this section:

4           "Alcoholic beverages" means beverages that are suitable for  
5 human consumption and contain one-half of one percent or more of  
6 alcohol by volume.

7           "Dietary supplement" means any product, other than tobacco,  
8 intended to supplement the diet that:

9           (1) Contains one or more of the following dietary  
10 ingredients:

11                   (A) A vitamin;

12                   (B) A mineral;

13                   (C) An herb or other botanical element;

14                   (D) An amino acid;

15                   (E) A dietary supplement for use by humans to

16 supplement a person's diet by increasing the

17 total dietary intake; or a concentrate

18 metabolite, constituent, extract, or combination

19 of any ingredient described in this definition;

20 (2) Is intended for ingestion in tablet, capsule, powder,

21 softgel, gelcap, or liquid form, or if not intended

22 for ingestion in such form, is not represented as



1 conventional food and is not represented for use as a  
2 sole item of a meal or of a diet; and

3 (3) Is required to be labeled as a dietary supplement,  
4 identifiable by the "supplemental facts" box found on  
5 the label as required pursuant to title 21 Code of  
6 Federal Regulations section 101.36, as amended or  
7 renumbered.

8 "Food" or "food ingredients" mean substances, whether in  
9 liquid, concentrated, solid, frozen, dried, or dehydrated form,  
10 that are sold for their ingestion or chewing by humans and are  
11 consumed for their taste or nutritional value. Food or food  
12 ingredients does not include alcoholic beverages, tobacco,  
13 prepared food, soft drinks, dietary supplements, or food or food  
14 ingredients sold from a vending machine, whether cold or hot;  
15 provided that food or food ingredients sold from a vending  
16 machine that is subsequently heated shall be subject to this  
17 chapter.

18 "Prepared food" means:

19 (1) Food sold in a heated state or heated in by the  
20 seller;  
21 (2) Food sold with eating utensils provided by the seller,  
22 including plates, knives, forks, spoons, chopsticks,  
23 glasses, cups, napkins, or straws. A plate does not



1 include a container or packaging used to transport the  
2 food; or

3 (3) Two or more food ingredients mixed or combined by the  
4 seller for sale as a single item, except:

5 (A) Food that is only cut, repackaged, or pasteurized  
6 by the seller; or

7 (B) Raw eggs, meat, poultry, or foods containing  
8 these raw animal foods requiring cooking by the  
9 consumer as recommended by the federal Food and  
10 Drug Administration in Chapter 3, part 401.11 of  
11 the Food Code, published by the Food and Drug  
12 Administration, as amended or renumbered, to  
13 prevent foodborne illness.

14 Prepared food does not include the following food or food  
15 ingredients:

16 (1) Food sold in an unheated state by weight or volume as  
17 a single item; or

18 (2) Bakery items, such as bread, rolls, buns, biscuits,  
19 bagels, croissants, pastries, donuts, danish, cakes,  
20 tortes, pies, tarts, muffins, bars, cookies or  
21 tortillas.



1       "Soft drinks" means nonalcoholic beverages that contain  
2 natural or artificial sweeteners. Soft drinks do not include  
3 beverages that contain:

- 4       (1) Milk or milk products;  
5       (2) Soy, rice or similar milk substitutes; or  
6       (3) Greater than fifty percent vegetable or fruit juice by  
7       volume.

8       "Tobacco" means cigarettes, cigars, chewing or pipe  
9 tobacco, or any other item that contains tobacco."

10       SECTION 3. Chapter 237, Hawaii Revised Statutes, is  
11 amended by adding a new section to be appropriately designated  
12 and to read as follows:

13       "§237- Exemption for medical services. (a) There shall  
14 be exempted from, and excluded from the measure of, the taxes  
15 imposed by this chapter all of the gross proceeds arising from  
16 the sale of medical services.

17       (b) As used in this section, "medical services" means:  
18 Professional services provided by hospitals, medical clinics and  
19 facilities that are licensed by the appropriate state agencies  
20 and services are rendered under chapters 436E, 442, 447, 448,  
21 448B, 451A, 451J, 451K, 452, 453, 453D, 455, 457, 457A, 457G,  
22 458, 459, 461, 461J, 463E, 465, 465D, 466D, 466J, and 468E."



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1           SECTION 4. In codifying the new sections added by sections  
2 2,3, and 4 of this Act, the revisor of statutes shall substitute  
3 appropriate section numbers for the letters used in designating  
4 the new sections in this Act.

5           SECTION 5. New statutory material is underscored.

6           SECTION 6. This act shall take effect upon its approval  
7 and shall apply to taxable years beginning after December 31,  
8 2023.

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INTRODUCED BY:

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JAN 20 2023



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**Report Title:**

General Excise Tax; Food and Medical Services, Exemption

**Description:**

Exempts foods and medical services products from the general excise tax.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

HB HMIA 2023-1-1

