
A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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 many residents are struggling to
3 pay for food, medication, housing, and other necessities. Many
4 Hawaii residents, including vulnerable populations, suffer from
5 food insecurity. A recent 2021 study by the University of
6 Hawaii at Manoa stated that forty-eight per cent of Hawaii
7 families with children are experiencing food insecurity. A 2021
8 Cornell study indicates that taxes on food correlate to food
9 insecurity. The study, co-authored by Harry Kaiser, the Gellert
10 Family Professor at the Cornell Charles H. Dyson School of
11 Applied Economics and Management, finds that even a slight
12 grocery tax rate increase could be problematic for many. "An
13 increase of 1 per cent to 4 per cent may sound small, but after
14 several trips to the grocery store, the extra costs can create
15 serious burdens for the lowest-income families", Kaiser said.
16 The study found that even the slightest increase in tax rate
17 correlated to an increased likelihood of food insecurity.



1 The legislature further finds that thirty-two states, plus
2 the District of Columbia, currently exempt most foods purchased
3 for consumption at home from the state sales tax. Of those
4 states that tax groceries, many do so at a reduced rate. Taxing
5 the sales of groceries is generally considered regressive and
6 disproportionately hurts working families because they spend a
7 higher percentage of their income on food. Hawaii's tax on
8 groceries negatively affects not only the amount of food that
9 Hawaii families can afford, but also the quality and diversity
10 of their food choices.

11 According to the United States Department of Agriculture, a
12 Hawaii family on a thrifty food plan spends \$1,794.60 per month
13 on food. This family would pay over \$800 a year in state taxes
14 on those groceries. The thrifty food plan represents those on a
15 limited budget. Even if this family is eligible for a food tax
16 rebate, they would likely get back less than half of those state
17 taxes paid on groceries.

18 The legislature further finds that inflation, high cost of
19 living, the COVID-19 pandemic, and food insecurity negatively
20 impact the State's resiliency and disaster preparedness. For
21 many families, it is not economically feasible to purchase and



1 store the recommended two-week supply of emergency food and
2 essentials.

3 The legislature further finds that taxing food not only
4 hurts Hawaii consumers but also makes Hawaii a much less
5 desirable place to start a food-related business. Exempting
6 certain groceries from the general excise tax would make
7 Hawaii's food supply chain more equitable and can help the State
8 meet the goal of increasing the availability of locally grown
9 and manufactured food.

10 The legislature further finds that the department of
11 taxation verbally testified on a previously considered bill that
12 wholly exempting the sale of groceries eligible under the
13 supplemental nutrition assistance program or special
14 supplemental nutrition program for women, infants, and children
15 would cost the State about \$230,000,000 per year. By proceeding
16 with a one per cent reduction on grocery taxes each year as
17 described in this Act, the economic impact on the state budget
18 would be lessened, allowing the State time to develop
19 appropriate offsets.

20 The legislature has already recognized that certain items
21 should be exempt from the general excise tax, as evidenced by



1 the prescription drug exemption. Lowering the tax rate on
2 groceries and nonprescription drugs, and eventually exempting
3 them from the general excise tax, will have an immediate
4 positive impact on Hawaii's cost of living by lowering the cost
5 of these necessary items. This will provide relief and help to
6 many families that have been impacted negatively by the COVID-19
7 pandemic and allow them to put more food on the table and better
8 maintain the health of their families. In addition, the money
9 saved by Hawaii consumers in taxes can continue to circulate in
10 the economy, helping businesses and generating revenue for the
11 State.

12 Accordingly, the purpose of this Act is to:

- 13 (1) Establish a general excise tax reduction and eventual
14 exemption for the sale of groceries that are eligible
15 for purchase under the supplemental nutrition
16 assistance program or special supplemental nutrition
17 program for women, infants, and children; and
18 (2) Establish a general excise tax reduction and eventual
19 exemption for the sale of nonprescription 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- Reduced rate; exemption; supplemental nutrition
5 assistance program-eligible groceries. (a) Notwithstanding
6 section 237-13, there is hereby levied and shall be assessed and
7 collected a tax equivalent to:

- 8 (1) In calendar year 2024, three per cent;
9 (2) In calendar year 2025, two per cent; and
10 (3) In calendar year 2026, one per cent,
11 of the gross proceeds or income received from the sale of all
12 groceries eligible for purchase under the supplemental nutrition
13 assistance program and special supplemental nutrition program
14 for women, infants, and children within the State, regardless of
15 the means of purchase and the eligibility of the purchaser for
16 supplemental nutrition assistance program or special
17 supplemental nutrition program for women, infants, and children
18 benefits.

19 (b) Beginning January 1, 2027, there shall be exempted
20 from, and excluded from the measure of, the taxes imposed by
21 this chapter all of the gross proceeds or income received from



1 the sale of all groceries eligible for purchase under the
2 supplemental nutrition assistance program and special
3 supplemental nutrition program for women, infants, and children
4 within the State, regardless of the means of purchase and the
5 eligibility of the purchaser for supplemental nutrition
6 assistance program or special supplemental nutrition program for
7 women, infants, and children benefits.

8 (c) For the purposes of this section:

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

13 "Groceries" means any food or food product for home
14 consumption. "Groceries" may be further defined by the
15 department by rule through the enumeration of items in rules or
16 tax informational release; provided that the department shall
17 consult with the federal Food and Nutrition Service of the
18 United States Department of Agriculture in further defining the
19 term "groceries" for purposes of the supplemental nutrition
20 assistance program and special supplemental nutrition program
21 for women, infants, and children.



1 §237- **Reduced rate; exemption; nonprescription drugs.**

2 (a) Notwithstanding section 237-13, there is hereby levied and
3 shall be assessed and collected a tax equivalent to:

4 (1) In calendar year 2024, three per cent;

5 (2) In calendar year 2025, two per cent; and

6 (3) In calendar year 2026, one per cent,

7 of the gross proceeds or income received from the sale of
8 nonprescription drugs.

9 (b) Beginning January 1, 2027, there shall be exempted
10 from, and excluded from the measure of, the taxes imposed by
11 this chapter all of the gross proceeds or income received from
12 the sale of nonprescription drugs.

13 (c) For the purposes of this section:

14 "Drug" means:

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



- 1 (2) Articles intended for use in the diagnosis, cure,
2 mitigation, treatment, or prevention of disease in
3 humans;
- 4 (3) Articles, other than food or clothing, intended to
5 affect the structure or any function of the body of
6 humans; or
- 7 (4) Articles intended for use as a component of any
8 article specified in paragraph (1), (2), or (3);
9 provided that the term "drug" does not include devices
10 or their components, parts or accessories, cosmetics,
11 or liquor as defined in section 281-1.

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

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act shall take effect on July 1, 2023.

17

INTRODUCED BY:



JAN 23 2023



H.B. NO. 945

Report Title:

General Excise Tax; SNAP; WIC; Groceries; Nonprescription Drugs; Exemption

Description:

Reduces, then later exempts, the tax collected on 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. Reduces, then later exempts, the tax collected for the sale of nonprescription drugs.

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