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## A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX.

**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 is passed on to  
4 customers in the form of higher prices. This can be alleviated  
5 by exempting food and medical services.

6           According to the Consumer Price Index, grocery prices in  
7 Hawaii are fifty per cent higher than the national average.  
8 Between 2021 and 2022 households in the Honolulu area spent an  
9 average of 17.3 per cent of their expenditure on food. In  
10 comparison, the average American spent 12.6 per cent on food.  
11 According to the United States Department of Agriculture, a  
12 Hawaii family of four on the Thrifty Food Plan spending  
13 \$1,431.00 per month on food would save over \$687 each year if  
14 food were exempt from the general excise tax.

15           Thirty-nine states plus the District of Columbia exempt  
16 groceries from their sales taxes, and another five 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 further contributes to the higher cost of  
4 living. Hawaii is one of only a handful of states that tax  
5 medical services and, until Act 47 passed in 2024, the only  
6 state to tax Medicare services. Act 47 (2024) exempted medical  
7 and dental services covered by Medicare, Medicaid, and TRICARE  
8 from the General Excise Tax. A broader exemption on all medical  
9 and dental services would lighten the tax burden on privately  
10 practicing medical providers and address Hawaii's health  
11 professional shortage by incentivizing qualified physicians to  
12 practice in the State, thus resulting in lower healthcare costs  
13 to patients. According to a study commissioned by the Grassroot  
14 Institute of Hawaii, Hawaii residents and healthcare  
15 professionals would receive a \$222 million tax cut if medical  
16 services were exempt from the general excise tax.

17 The State's current general surplus of one billion dollars  
18 and projected continued surplus over the next three fiscal years  
19 position the State to responsibly adopt the proposed tax  
20 exemptions. The purpose of this Act is to exempt food and



1 medical services from the general excise tax to lower the cost  
2 of living for Hawaii families.

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

6 "§237- Exemption of gross proceeds of sales on food and  
7 groceries. (a) There shall be exempted from, and excluded from  
8 the measure of, the taxes imposed by this chapter all of the  
9 gross proceeds arising from the sale of food and groceries.

10 (b) This chapter shall apply to food or groceries that are  
11 furnished, prepared, or served as meals, except:

12 (1) In the case of persons sixty years of age or over, or  
13 who receive supplemental security income benefits, or  
14 disability or blindness payments under Title I, II, X,  
15 XIV, or XVI or the Social Security Act (42 U.S.C. 301  
16 et set., 401 et seq., 1201 et seq., 1351 et seq., 1381  
17 et seq.) and their spouses, meals prepared by and  
18 served in senior citizen's centers, apartment  
19 buildings occupied primarily by such persons, public  
20 or private nonprofit establishments, eating or  
21 otherwise, that feed such persons, private



1 establishments that contract with the appropriate  
2 agency of the State to offer meals for such persons at  
3 concessional prices, and meals prepared for and served  
4 to residents of federally subsidized housing for the  
5 elderly;

6 (2) In the case of persons sixty years of age or over and  
7 persons who are physically or mentally handicapped or  
8 otherwise disabled that they are unable to adequately  
9 prepare all of their meals, meals prepared for and  
10 delivered to them and their spouses at their home by a  
11 public or private nonprofit organization or by a  
12 private establishment that contracts with the  
13 appropriate state agency to perform such services at  
14 concessional prices;

15 (3) In the case of disabled or blind recipients of  
16 benefits under Title I, II, X, XIV, or XVI or the  
17 Social Security Act (42 U.S.C. 301 et seq., 401 et  
18 seq., 1201 et seq., 1351 et seq., 1381 et seq.), who  
19 are residents in a public or private nonprofit group  
20 living arrangement that serves no more than sixteen  
21 residents and is certified by the appropriate state



1 agency or agencies, meals prepared and served under  
2 such arrangement;

3 (4) In the case of women and children temporarily residing  
4 in public on private nonprofit shelters for battered  
5 women and children, meals prepared and served by such  
6 shelters; and

7 (5) In the case of households that do not reside in  
8 permanent dwellings and households that have no fixed  
9 mailing addresses, meals prepared for and served by a  
10 public or private nonprofit establishment approved by  
11 an appropriate state or local agency that feeds such  
12 individuals by private establishments that contract  
13 with the appropriate agency of the State to offer  
14 meals for such individuals at concessional prices.

15 (c) As used in this section:

16 "Groceries" means any food or food product for home  
17 consumption. "Groceries" may be further defined by the  
18 department by rule through the enumeration of items in rules or  
19 tax informational release.

20 "Food" means substances, whether in liquid, concentrated,  
21 solid, frozen, dried, or dehydrated form, that are sold for



1 their ingestion or chewing by humans and are consumed for their  
2 taste or nutritional value. Food or food ingredients does not  
3 include alcoholic beverages, tobacco, prepared food, soft  
4 drinks, dietary supplements, or food or food ingredients sold  
5 from a vending machine, whether cold or hot; provided that food  
6 or food ingredients sold from a vending machine that is  
7 subsequently heated shall be subject to this chapter.

8 "Prepared food" means:

- 9 (1) Food sold in a heated state or heated in by the  
10 seller;
- 11 (2) Food sold with eating utensils provided by the seller,  
12 including plates, knives, forks, spoons, chopsticks,  
13 glasses, cups, napkins, or straws. A plate does not  
14 include a container or packaging used to transport the  
15 food; or
- 16 (3) Two or more food ingredients mixed or combined by the  
17 seller for sale as a single item, except:
- 18 (A) Food that is only cut, repackaged, or pasteurized  
19 by the seller; or
- 20 (B) Raw eggs, meat, poultry, or foods containing  
21 these raw animal foods requiring cooking by the



1           consumer as recommended by the federal Food and  
2           Drug Administration in Chapter 3, part 401.11 of  
3           the Food Code, published by the Food and Drug  
4           Administration, as amended or renumbered, to  
5           prevent foodborne illness."

6           SECTION 3. Act 47, Session Laws of Hawaii 2024, section 2,  
7 is amended by amending subsection (12) to read as follows:

8           "(12) Amounts received by a hospital, infirmary, medical  
9           clinic, health care facility, or pharmacy, or a  
10           medical or dental practitioner, for healthcare-related  
11           goods or services purchased [~~under the medicare,~~  
12           ~~medicaid, or TRICARE programs~~]. For the purposes of  
13           this paragraph, the healthcare-related services need  
14           not be performed by a medical or dental practitioner  
15           but may be performed by a physician's assistant,  
16           nurse, or other employee under the medical or dental  
17           practitioner's direction. As used in this paragraph:

18                   ~~["Medicaid" means the program established under~~  
19           ~~Title XIX of the Social Security Act of 1935, as~~  
20           ~~amended;]~~





# H.B. NO. 1339

**Report Title:**

GET; Exemption; Food; Medical Services; Dental

**Description:**

Exempts food and groceries from the general excise tax. Expands a 2024 session law exempting certain medical and dental services to include all medical and dental services.

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

