
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



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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;]~~



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1 "Medical or dental practitioner" means a
2 physician or osteopathic physician licensed pursuant
3 to chapter 453; a dentist licensed under chapter 448;
4 an advanced practice registered nurse licensed
5 pursuant to chapter 457; or a pharmacist licensed
6 pursuant to chapter 461[+]

7 ~~["Medicare" means the program established under~~
8 ~~Title XVIII of the Social Security Act of 1935, as~~
9 ~~amended; and~~

10 ~~"TRICARE" means the program of the Department of~~
11 ~~Defense military health system managed by the Defense~~
12 ~~Health Agency, or any successor program]."~~

13 SECTION 4. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 5. This Act shall take effect on January 1, 2027.

16

INTRODUCED BY: *Jan M. [Signature]*

JAN 17 2025



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Report Title:

GET; Exemption; Food; Medical Services; Dental Services

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.

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