

JAN 17 2025

A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX REDUCTIONS.

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 2021 study by the University of Hawaii at
6 Manoa stated that forty-eight per cent of Hawaii families with
7 children are experiencing food insecurity. A 2021 Cornell study
8 indicated that even the slightest increase in tax rate
9 correlated to an increased likelihood of food insecurity.

10 The legislature further finds that only thirteen states tax
11 most foods purchased for consumption at home from the state
12 sales tax. Six of the states that tax groceries do so at a
13 reduced rate. Taxing the sale of groceries is generally
14 considered regressive and disproportionately hurts working
15 families because they spend a higher percentage of their income
16 on food. Hawaii's general excise tax on groceries negatively
17 affects not only the amount of food that Hawaii families can



1 afford, but also the quality and diversity of their food
2 choices.

3 According to the United States Department of Agriculture, a
4 Hawaii family on a thrifty food plan spends \$1,794.60 per month
5 on food. This family would pay over \$800 a year in state taxes
6 on those groceries. The thrifty food plan represents those on a
7 limited budget. Even if this family is eligible for a
8 refundable food/excise tax credit, the family would likely get
9 back less than one-half of those state taxes paid on groceries.

10 The legislature has already recognized that certain items
11 should be exempt from the general excise tax, as evidenced by
12 the existing general exemption for amounts received by certain
13 entities for selling prescription drugs. Lowering the tax rate
14 on groceries and nonprescription drugs will have an immediate
15 positive impact on Hawaii's cost of living by lowering the cost
16 of these necessary items.

17 Accordingly, the purpose of this Act is to:

- 18 (1) Establish a reduction in the general excise tax rate
19 on gross proceeds or income from the sale of groceries
20 that are eligible for purchase under the supplemental
21 nutrition assistance program or special supplemental



1 nutrition program for women, infants, and children and
2 from the sale of nonprescription drugs; and

3 (2) Require the department of business, economic
4 development and tourism to conduct an economic cost-
5 benefit analysis on the general excise reductions and
6 submit a report to the legislature.

7 SECTION 2. Chapter 237, Hawaii Revised Statutes, is
8 amended by adding two new sections to be appropriately
9 designated and to read as follows:

10 "§237- Reduced rate; eligible groceries. (a)
11 Notwithstanding section 237-13 to the contrary, beginning
12 January 1, 2026, there is hereby levied and shall be assessed
13 and collected a tax equivalent to one-half per cent less than
14 the rate that would have applied pursuant to section 237-13 of
15 the gross proceeds or income received from the sale of all
16 groceries eligible for purchase under the supplemental nutrition
17 assistance program and special supplemental nutrition program
18 for women, infants, and children within the State, regardless of
19 the means of purchase and the eligibility of the purchaser for
20 supplemental nutrition assistance program or special



1 supplemental nutrition program for women, infants, and children
2 benefits.

3 (b) For the purposes of this section:

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

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

17 §237- Reduced rate; nonprescription drugs. (a)
18 Notwithstanding section 237-13 to the contrary, beginning
19 January 1, 2026, there is hereby levied and shall be assessed
20 and collected a tax equivalent to one-half per cent less than
21 the rate that would have applied pursuant to section 237-13 of



1 the gross proceeds or income received from the sale of
2 nonprescription drugs.

3 (b) For the purposes of this section:

4 "Drug" means:

5 (1) Articles recognized in the official United States
6 Pharmacopoeia, official United States Pharmacopoeia
7 Dispensing Information, official Homeopathic
8 Pharmacopoeia of the United States, or official
9 National Formulary, or any supplement to any of these
10 publications;

11 (2) Articles intended for use in the diagnosis, cure,
12 mitigation, treatment, or prevention of disease in
13 humans;

14 (3) Articles, other than food or clothing, intended to
15 affect the structure or any function of the body of
16 humans; or

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



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

4 SECTION 3. (a) By December 1, 2026, the department of
5 business, economic development, and tourism shall conduct an
6 economic cost-benefit analysis on the general excise tax
7 reductions for calendar year 2026 as provided in section 2 of
8 this Act.

9 (b) The department of business, economic development, and
10 tourism shall submit a report of its findings from the economic
11 cost-benefit analysis, including any recommendations and
12 proposed legislation, to the legislature no later than twenty
13 days prior to the convening of the regular session of 2027.

14 SECTION 4. New statutory material is underscored.

15 SECTION 5. This Act shall take effect on July 1, 2025.

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INTRODUCED BY: Carol Johnson



S.B. NO. 875

Report Title:

General Excise Tax; Rate Reduction; SNAP; WIC; Groceries;
Nonprescription Drugs; DBEDT

Description:

Reduces the general excise tax rate on the gross proceeds or income from the sale of groceries that are eligible under the supplemental nutrition assistance program (SNAP) or special supplemental nutrition program for women, infants, and children (WIC), regardless of the means of purchase and the program eligibility of the purchaser. Reduces the general excise tax rate on the gross proceeds or income from the sale of nonprescription drugs. Requires DBEDT to conduct an economic cost-benefit analysis on the GET reductions.

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