

Honolulu, Hawaii

FEB 14 2025

RE: S.B. No. 1043
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committees on Health and Human Services and Labor and Technology, to which was referred S.B. No. 1043 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

beg leave to report as follows:

The purpose and intent of this measure is to, for taxable years beginning after December 31, 2024:

- (1) Exempt the sale of groceries and nonprescription drugs from the general excise tax;
- (2) Incrementally increase the general excise tax over four years, with the increased proceeds during certain fiscal years to be deposited into the general fund;
- (3) Remove the state income tax on unemployment compensation benefits;
- (4) Double the standard deduction for individuals earning less than \$100,000 and joint returns earning less than \$200,000;
- (5) Repeal the incremental increases on standard income tax deduction amounts;



- (6) Increase the minimum income threshold and exemption amount for the Low-Income Household Renters' Income Tax Credit;
- (7) Remove the tax liability for the first \$100,000 of individual income earned;
- (8) Establish the Maui Recovery Special Fund to be used for recovery programs related to the 2023 Maui wildfires; and
- (9) Appropriate funds.

Your Committees received testimony in support of this measure from the Hawaii Ironworkers Stabilization Fund; Operative Plasterers' and Cement Masons' International Association Local 630, AFL-CIO; Hawai'i State Teachers Association; Operating Engineers Local 3; International Union of Bricklayers and Allied Craftworkers Local #1 of Hawaii; Hawai'i Food Industry Association; and six individuals.

Your Committees received testimony in opposition to this measure from three individuals.

Your Committees received comments on this measure from the Department of Taxation, Hawai'i Children's Action Network Speaks!, Hawaii Appleseed Center for Law & Economic Justice, Tax Foundation of Hawaii, Grassroot Institute of Hawaii, and two individuals.

Your Committees find that tax equity is a cornerstone of economic prosperity. Your Committees further find that eliminating the general excise tax on groceries and nonprescription drugs, for example, could ease the tax burden on residents, especially lower-income households. Your Committees additionally find that money saved from a lower tax burden can be spent elsewhere in the local economy, creating a circular effect that will help many individuals and families statewide. This measure demonstrates a commitment to the well-being of all Hawaii residents by addressing the regressive nature of the State's current tax system, reducing the cost of living, and providing targeted relief to those impacted by the 2023 Maui wildfires.

Your Committees have amended this measure by:



- (1) Deleting language that would have:
 - (A) Incrementally increased the general excise tax over four years, with the increased proceeds during certain fiscal years to be deposited into the general fund;
 - (B) Removed the state income tax on unemployment compensation benefits;
 - (C) Doubled the standard deduction for individuals earning less than \$100,000 and joint returns earning less than \$200,000;
 - (D) Repealed the incremental increases on standard income tax deduction amounts;
 - (E) Increased the minimum income threshold and exemption amount for the Low-Income Household Renters' Income Tax Credit;
 - (F) Removed the tax liability for the first \$100,000 of individual income earned;
 - (G) Established the Maui Recovery Special Fund to be used for recovery programs related to the 2023 Maui wildfires; and
 - (H) Appropriated funds into the Maui Recovery Special Fund;
- (2) Deleting the legislative findings;
- (3) Inserting an effective date of December 31, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

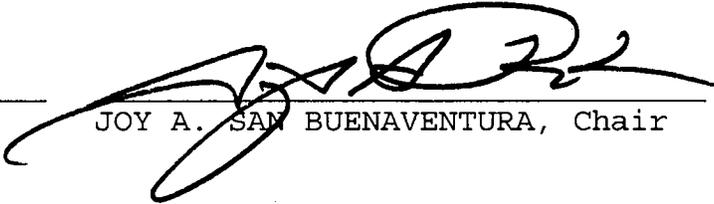
As affirmed by the records of votes of the members of your Committees on Health and Human Services and Labor and Technology that are attached to this report, your Committees are in accord



with the intent and purpose of S.B. No. 1043, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1043, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Health and Human Services and Labor and Technology,


HENRY J.C. AQUINO, Chair


JOY A. SAN BUENAVENTURA, Chair



The Senate
 Thirty-Third Legislature
 State of Hawai'i

Record of Votes
Committee on Labor and Technology
LBT

Bill / Resolution No.:* SB1043	Committee Referral: H45/LBT, NAM	Date: 2/10/25		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
AQUINO, Henry J.C. (C)	x			
LEE, Chris (VC)	x			
IHARA, Jr., Les	x			
MORIWAKI, Sharon Y.	x			
FEVELLA, Kurt	x			
TOTAL	5			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align: center;"></div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes