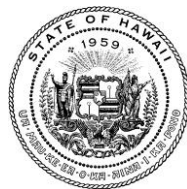


JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
P.O. BOX 259

HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 1278, S.D. 1, Relating to the General Excise Tax.

**BEFORE THE:**

House Committee on Economic Development & Technology.

**DATE:** Wednesday, March 12, 2025

**TIME:** 10:00 a.m.

**LOCATION:** State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 1278, S.D. 1, for your consideration.

Section 2 of the bill exempts from the general excise tax (GET) any grants received from the federal Restaurant Revitalization Fund (RRF) by an eligible business pursuant to the American Rescue Plan Act of 2021. The bill also provides that any GET paid by an eligible business for grants from the RRF shall be refunded to the taxpayer by an unspecified deadline. The bill has a defective effective date of July 1, 2050, and applies retroactively to March 11, 2021.

The bill is currently silent as to whether DOTAX should automatically issue refunds or wait for taxpayers to file a refund claim. However, requiring DOTAX to issue refunds without taxpayers filing amended returns presents significant difficulties. DOTAX does not track taxpayers' payments on received RRF funds as these amounts were not separately declared as income on GET returns. Issuing refunds without the filing of amended returns is also problematic if a taxpayer has reorganized, changed its GET number, moved, or is no longer in business. DOTAX is not situated to search out specific taxpayers and determine whether they are entitled to refunds. Amended returns ensure that exemption and refund claims are made by the proper entities and/or persons. Accordingly, DOTAX requests that subsection (b) be amended to require

taxpayers file an amended general excise tax return to request a refund.

DOTAX also notes that refund claims under this measure would run against the three-year statute of limitations in section 237-40(d), HRS. For RRF funds received in 2021, any refund claims filed after April 21, 2025, will be automatically rejected because it violates the statute of limitations. Just as important, DOTAX would not be able to stop or cancel the automatic rejection of these claims without jeopardizing the processing or payment of all other GET refund claims. DOTAX will need to manually process and respond to every RRF refund claim and assign employees to specifically handle them.

If this bill advances, DOTAX requests that the bill be amended to require that taxpayers file a refund claim for funds received in 2021 by no later than December 31, 2025. This would enable DOTAX to plan RRF refund processing and employee assignments for a set period.

Thank you for the opportunity to provide comments on this measure.

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE; Exemption for Grants from the federal Restaurant Revitalization Fund

BILL NUMBER: SB 1278 SD 1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Establishes that any grants received from the federal Restaurant Revitalization Fund (RRF) by an eligible business pursuant to the American Rescue Plan Act of 2021 shall not be subject to state general excise tax. Requires any state general excise tax paid by eligible businesses for RRF grants to be refunded to the taxpayer. Applicable to taxable years beginning after 3/11/2021.

SYNOPSIS: Section 2 of the bill exempts grants received from the federal RRF from the general excise tax under chapter 237, HRS.

Any general excise tax paid for grants received from the federal RRF shall be refunded.

EFFECTIVE DATE: July 1, 2050; shall apply retroactively to March 11, 2021.

STAFF COMMENTS: As a result of the COVID-19 pandemic, various relief programs were enacted by the federal government. At the end of 2020, the Department of Taxation issued Tax Information Release 2020-06 which concluded that “in light of the severity of the economic impact of the COVID-19 pandemic” these federal benefits would not be subject to the general excise tax.

In 2021, the federal government granted further relief with the Restaurant Revitalization Fund (RRF) program. The RRF program was structured as a reimbursement program in that although it provided a funding amount to affected restaurants on the basis of their historic sales, the government specified certain categories of expenses on which the monies were to be spent, and informed the restaurants that unspent monies, or monies not spent on the proper expenses, needed to be returned to the federal government.

In 2023, the Department of Taxation began targeting restaurants and other small businesses that had received benefits under RRF, asserting these benefits were in the form of replacement income and consequently subject to the general excise tax.

The explanation given for the difference in GET treatment between pre-2021 federal benefits (for example the Paycheck Protection Program) and RRF money does not seem to be true. And even if it were, the Department itself expressed a rationale for exempting the proceeds – that the pandemic caused severe economic effects so federal programs giving relief from those effects should not be GET taxable – that seems to apply to RRF just as it does to PPP.

This measure would establish consistent, uniform and fair treatment to exempt federal relief funds.

For further information, we are appending a copy of our article published on Jan. 1, 2024.



## Restaurants Getting Cooked

by [Tom Yamachika](#) | posted in: [Weekly Commentary](#) | Jan. 1, 2024

A number of restaurants are in a pinch recently. Here's what happened to them.

A few years ago, the COVID-19 pandemic began. In the initial months of the pandemic, many governments including ours locked down the populace. People who were shut in couldn't spend money like they usually could, and businesses of all stripes suffered.

Because of the national impact of the pandemic, various relief programs were enacted by the federal government and helped ease the pain of individuals and businesses throughout the State. Four federal programs in 2020, for example, did much to alleviate the suffering caused by the national economic catastrophe: the Paycheck Protection Program (PPP), the Economic Injury Disaster Loan (EIDL) program, Federal Pandemic Unemployment Compensation (FPUC), and Pandemic Unemployment Assistance (PUA). Some of these programs offered grants, or loans that were forgiven later, which normally result in income to the recipient of those benefits.

At the end of 2020, the Department of Taxation published [Tax Information Release 2020-06](#) (“TIR 2020-06”) in which the department concluded that despite a lack of any statutory exemption, our General Excise Tax (GET) would not be imposed on these federal benefits “in light of the severity of the economic impact of the COVID-19 pandemic.”

In 2021, the federal government granted further relief to affected individuals and businesses, and in the American Rescue Plan Act it provided two more significant programs for affected businesses: the Restaurant Revitalization Fund (RRF) program, and the Shuttered Venu Operators Grant (SVOG) program. The RRF program was structured as a reimbursement program in that although it provided a funding amount to affected restaurants on the basis of their historic sales, the government specified certain categories of expenses on which the monies were to be spent, and informed the restaurants that unspent monies, or monies not spent on the proper expenses, needed to be returned to the federal government.

In May 2022, [we published an article](#) calling on the Department to make up its mind about these programs. However, no guidance came out in 2022.

In 2023, however, [as KITV reported](#), the Department started targeting restaurants and similar businesses that had received benefits under RRF. The department said that those benefits were taxable and demanded back GET taxes from the businesses although the restaurants already had spent the money (which they were required to do under the federal program). Some of these restaurants already had received benefits under PPP, which, under TIR 2020-06, were not subject to GET.

When KITV asked the Department to explain why, they said “PPP loans were not considered income, as they were used to pay employees or rent. But the RRF was considered replacement income and so would count toward a business’ bottom line.”

For affected businesses, it is an unwanted big tax bill right in the middle of the businesses’ attempts to get back on their feet after being clobbered by the pandemic.

And the Department’s position does not seem to be well founded. The explanation it gave for the difference in GET treatment between PPP and RRF money does not seem to be true. And even if it were, the Department itself expressed a rationale for exempting the proceeds – that the pandemic caused severe economic effects so federal programs giving relief from those effects should not be GET taxable – that seems to apply to RRF just as it does to PPP. To be consistent, uniform and fair, as its own mission statement demands, RRF should get the same treatment as PPP. And if the Department itself doesn’t recognize this, perhaps lawmakers could take steps to correct the injustice.



**Andy Huang**, Chairman – L&L Hawaiian Barbecue    **Ave Kwok, Past Chair** – Jade Dynasty Seafood Restaurant  
**Mike Palmer, Incoming Chair** – Ho'okipa Partners    **Tambara Garrick, Treasurer** – Hawaii Farm Project  
**Victor Lim, Government Relations Lead** – McDonald's | **Mail: 2909 Wai'ala'e Avenue #22, Honolulu, HI 96826**

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Date: March 8, 2025

To: Greggor Ilagan Chair  
Ikaika Hussey Vice Chair  
Members of the House Committee on Economic Development & Technology

From: Thomas Jones, Legislative Committee

Subject: SB 1278-SD1 RELATING TO THE GENERAL EXCISE TAX & RESTAURANT REVITALIZATION FUND

**The Hawai'i Restaurant Association representing 4,000 Eating and Drinking Place locations is in strong support of SB 1278-SD1**, which establishes that any grants received from the federal Restaurant Revitalization Fund (RRF) by an eligible business pursuant to the American Rescue Plan Act of 2021 shall not be subject to state general excise tax. Requires any state general excise tax paid by eligible businesses for RRF grants to be refunded to the tax payer. Applicable to taxable years beginning after 3/11/2021.

COVID's impact on Hawai'i's economy was especially onerous due to the airline travel restrictions and our dependence on domestic and international tourism. Within Hawaii, the restaurant industry suffered sales losses more than other areas of the economy due to mandated restaurant closures, seating limitations, and increased operating costs such as hygiene procedures, sanitizing, compliant take out packaging, personal protective equipment, barriers, compounded by related labor shortages, etc.

Through the federal government CARES Act PPP & EIDL programs, significant financial relief loans were provided to all manner of businesses which could be forgiven provided that the recipient used the funds for qualified expenses. The State Tax Dept exempt the PPP and EIDL loan forgiveness from GET on May 4, 2020.

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Susequently the American Rescue Plan Act of 2021 (ARPA), effective March 11, 2021 provided additional forgivable relief loans to over 1,100 restaurants in Hawai'i provided that the recipients could prove that all of the funds were spent on federally approved expenditures. Even though the intent, requirements and conditions of the RRF were identical to the PPP and EIDL, the State Tax Department did not inform taxpayers that the GET treatment of RRF funds was any different and in late 2023 began auditing recipients of the RRF loans and requiring them to pay include the foregiven RRF as sales and recalculating additonal GET due on the revised sales figure.

The result has been an unfair burden on restaurants that spent the funds as required by the Federal Government expecting the State Tax Dept to treat the RRF with the same consideration as the previous federal relief programs.

We feel that SB1278 will provide the remedy to correct the inconsistent tax treatment of the RRF by the State Tax Dept.

Hawai'i's restaurants are still struggling to make ends meet and deserve fair treatment by the State of Hawai'i.

**SB-1278-SD-1**

Submitted on: 3/10/2025 3:03:15 AM

Testimony for ECD on 3/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jeff Martin	Maui Brewing Company Restaurants	Support	Written Testimony Only

Comments:

Date: March 8, 2025

To: Greggor Ilagan Chair

Ikaika Hussey Vice Chair

Members of the House Committee on Economic Development & Technology

From: Thomas Jones, Legislative Committee

Subject: SB 1278-SD1 RELATING TO THE GENERAL EXCISE TAX &  
RESTAURANT REVITALIZATION FUND

**The Hawai'i Restaurant Association representing 4,000 Eating and Drinking**

**Place locations is in strong support of SB 1278-SD1**, which establishes that any grants received from the federal Restaurant Revitalization Fund (RRF) by an eligible business pursuant to the American Rescue Plan Act of 2021 shall not be subject to state general excise tax. Requires any state general excise tax paid by eligible businesses for RRF grants to be refunded to the tax payer. Applicable to taxable years beginning after 3/11/2021.

COVID's impact on Hawai'i's economy was especially onerous due to the airline travel restrictions and our dependance on domestic and international tourism. Within Hawaii, the restaurant industry suffered sales losses more than other areas of the economy due to mandated restaurant closures, seating limitations, and increased



operating costs such as hygiene procedures, sanitizing, compliant take out packaging, personal protective equipment, barriers, compounded by related labor shortages, etc.

Through the federal government CARES Act PPP & EIDL programs, significant financial relief loans were provided to all manner of businesses which could be forgiven provided that the recipient used the funds for qualified expenses. The State

Tax Dept exempt the PPP and EIDL loan forgiveness from GET on May 4, 2020. Subsequently the American Rescue Plan Act of 2021 (ARPA), effective March 11,

2021 provided additional forgivable relief loans to over 1,100 restaurants in Hawai'i provided that the recipients could prove that all of the funds were spent on federally approved expenditures. Even though the intent, requirements and conditions of the RRF were identical to the PPP and EIDL, the State Tax Department did not inform taxpayers that the GET treatment of RRF funds was any different and in late 2023 began auditing recipients of the RRF loans and requiring them to pay include the forgiven RRF as sales and recalculating additional GET due on the revised sales figure.

The result has been an unfair burden on restaurants that spent the funds as required by the Federal Government expecting the State Tax Dept to treat the RRF with the same consideration as the previous federal relief programs.

We feel that SB1278 will provide the remedy to correct the inconsistent tax treatment of the RRF by the State Tax Dept.

Hawai'i's restaurants are still struggling to make ends meet and deserve fair treatment by the State of Hawai'i.

Hawai'i Restaurant Association



March 10, 2025

Greggor Ilagan Chair  
Ikaika Hussey Vice Chair  
Members of the House Committee on Economic Development & Technology

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Wesley Leong, and I live in Honolulu, Hawai'i. I am the Chief Financial Officer of Maui Brewing Restaurant Group operating 4 locations: 2 on Oahu and 2 on Maui. We proudly present island inspired cuisine crafted with the same passion and care as we put into every one of our beers. Fiercely local, we are uncompromising in sourcing the best ingredients from the best local sources. In typical Maui style, if you're a guest in one of our brewpubs or restaurants then you're a welcomed guest in our home.

We are testifying in STRONG SUPPORT of Senate Bill 1278-SD1.

During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential to keep our restaurant going and to keep our workers employed. We spent all the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

We do not think that is right, and that is why we are in support of this bill.

Very truly yours,



Wesley Leong  
Chief Financial Officer  
Maui Brewing Restaurant Group



# MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211  
Wednesday, February 12, 2025 AT 10:01 A.M.

To The Honorable Senator Donovan M. Dela Cruz, Chair  
The Honorable Senator Sharon Y. Moriwaki, Vice Chair  
Members of the committee on Ways and Means

## SUPPORT SB1278 SD1 RELATING TO THE GENERAL EXCISE TAX

The Maui Chamber of Commerce **SUPPORTS SB1278 SD1** which establishes that any grants received from the federal Restaurant Revitalization Fund (RRF) by an eligible business pursuant to the American Rescue Plan Act of 2021 shall not be subject to state general excise tax. Requires any state general excise tax paid by eligible businesses for RRF grants to be refunded to the tax payer. Applicable to taxable years beginning after 3/11/2021.

The Chamber notes that the department of taxation announced that the general excise tax exemption applicable to the forgiven PPP loans and EIDL Grants under the CARES Act does not apply to the RRF grants under ARPA, despite the purpose of RRF grants aligning with the rationale behind the PPP and EIDL Grants.

We support the intent of the bill to exempt Restaurant Revitalization Fund grants received by eligible businesses pursuant to the American Rescue Plan Act of 2021 from the state general excise tax.

For these reasons, we **SUPPORT SB1278 SD1**.

Sincerely,

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

**SB-1278-SD-1**

Submitted on: 3/10/2025 1:33:26 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jolene F Mears	Luana Hospitality Group	Support	Written Testimony Only

Comments:

March 10, 2025

Greggor Ilagan, Chair

Ikaika Hussey, Vice Chair

Members of the House Committee on Economic Development & Technology

Dear Chair, Vice-Chair, and Members of the Committee:

I represent a kama'aina owned and operated restaurant group of four outlets on the Big Island and Kauai. Our restaurants provide jobs, and use local services in our communities.

We are testifying in strong support of Senate Bill 1278-SD1.

During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential to keep our restaurant going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

We do not think that is right, and that is why we are in support of this bill.

Very truly yours,

Jolene Mears

Vice President

Luana Hospitality Group

# GIOVANNI PASTRAMI RESTAURANT GROUP

March 10, 2025

Greggor Ilagan, Chair  
Ikaika Hussey, Vice Chair  
Members of the House Committee on Economic Development & Technology

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Ryan Tanaka and I am testifying in strong support of Senate Bill 1278-SD1. I serve as the Managing Partner and President/CEO of Giovanni Pastrami Restaurant Group, which consists of Giovanni Pastrami at Waikiki Beach Walk, CJ's and Round Table Pizza at the Hilton Hawaiian Village, and Pounders Restaurant at the Polynesian Cultural Center. Together, all four restaurants serve over 700,000 guests each year, generate roughly \$20 million in annual revenue and employ 175 employees.

During the COVID-19 pandemic, our industry faced unprecedented financial pressures due to island-wide lockdowns and government mandates. In response, I partnered with Dr. Eugene Tian, Chief State Economist, to launch the Hawaii Commercial Rent Survey. Statewide results were published quarterly and we were told our survey had the highest participation rate during the pandemic of any survey.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential for the survival of our restaurant and to keep our workers employed. We spent all of the funding on Government-approved expenses.

The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program. Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants. We do not think that is right, and that is why we are in support of this bill.

Sincerely,



Ryan Tanaka  
Managing Partner and President/CEO  
Giovanni Pastrami Restaurant Group

**SB-1278-SD-1**

Submitted on: 3/10/2025 4:11:56 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Joel Navasca	MJ Food Group Inc.	Support	Written Testimony Only

Comments:

Dear Chair, Vice-Chair, and Members of the Committee,

My name is Joel Navasca, and I am the President of MJ Food Group, doing business as Tiano’s Restaurant in Waipahu, Hawai‘i. We operate a single-location, family-friendly restaurant that serves a unique blend of Filipino and American cuisine. Known for our local-style comfort food, our menu features favorites like garlic chicken, prime rib and garlic shrimp, and our popular Tiano’s Trio. We are proud to serve the Waipahu community and provide employment for local residents.

I am writing in strong support of Senate Bill 1278-SD1.

Like many small, locally owned businesses, we experienced severe financial hardship during the COVID-19 pandemic in 2020 and 2021 due to mandated lockdowns and restrictions. Even when allowed to operate, the limitations made it difficult to sustain regular operations.

Federal programs such as the Paycheck Protection Program (PPP) were critical in helping us survive. In 2020, the Hawai‘i Department of Taxation rightly ruled that forgiven PPP loans were not subject to the general excise tax (GET), allowing businesses to fully utilize the support for recovery.

In 2021, we applied for and received funding through the Restaurant Revitalization Fund (RRF), a program specifically designed to support restaurants. The funds were to be forgiven only if used for approved purposes like payroll, rent, and utilities — which we fully complied with. These funds were essential in keeping our staff employed and our doors open.

Given the Tax Department’s ruling on PPP funds and the lack of clarity in the RRF guidelines about state excise tax as an approved use, we assumed similar treatment would apply to RRF funds. However, in 2023, we were surprised and disheartened to learn that the Tax Department was seeking back payment of GET on the RRF grants.

This unexpected decision has placed additional financial stress on our business and many others who acted in good faith. We believe this is unjust, and that is why we strongly support SB1278-SD1 — to clarify the tax treatment of these federal relief funds and prevent undue harm to Hawai‘i’s small businesses.



Thank you for the opportunity to testify, and for your continued support of our local business community.

Very truly yours,  
Joel Navasca  
President, MJ Food Group  
dba Tiano's Restaurant – Waipahu, HI



**Andy Huang**, Chairman – L&L Hawaiian Barbecue    **Ave Kwok, Past Chair** – Jade Dynasty Seafood Restaurant  
**Mike Palmer, Incoming Chair** – Ho'okipa Partners    **Tambara Garrick, Treasurer** – Hawaii Farm Project  
**Victor Lim, Government Relations Lead** – McDonald's | **Mail: 2909 Wai'ala'e Avenue #22, Honolulu, HI 96826**

**Sheryl Matsuoka**, President & CEO    **Ginny Wright**, Operations Associate    **Holly Kessler**, Vice President of Operations

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Julie Yunker

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Richard Turbin

Date: March 10, 2025

To: Rep. Greggor Ilagan, Chair  
Rep. Ikaika Hussey, vice Chair  
Committee on Economic Development & Technology

From: Victor Lim, Legislative Lead

Subj: SB 1278, SD1 Relating to General Exercise Tax

Hawaii Restaurant Association representing 4,000 Eating and Drinking places strongly supports SB 1278, SD 1, that exempts those restaurants that receive the Federal Restaurant Revitalization Funds during the Covid 19 from the state GET tax.

The RRF funds were given to restaurants along the same line as PPP grants that were given to keep businesses from going under and people employed. This was never supposed to be subjected to any type of state tax. This was also the case in most of the states on the mainland.

This bill corrects the State Tax Department interpretation of taxing GET on these RRF grants. At the Senate Ways and means committee meeting, they unanimously agreed with the Tax Foundation and our members that this should have been treated just like the PPP Grants and not be taxed.

Thank you for hearing our position on this very important bill.



**SB-1278-SD-1**

Submitted on: 3/10/2025 6:09:53 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Alfred Wiltshire	Shorefyre/Skybox	Support	Written Testimony Only

Comments:

Date: March 10, 2025

To: Greggor Ilagan Chair

Ikaika Hussey Vice Chair

Members of the House Committee on Economic Development & Technology

From: Alfred Wiltshire, Vice President Operations Shorefyre/Skybox

Subject: SB 1278-SD1 RELATING TO THE GENERAL EXCISE TAX & RESTAURANT REVITALIZATION FUND

Shorefyre and Skybox is a local family owned restaurant group employing 192 staff across 3 locations in Waikiki and is in strong support of SB 1278-SD1, which establishes that any grants received from the federal Restaurant Revitalization Fund (RRF) by an eligible business pursuant to the American Rescue Plan Act of 2021 shall not be subject to state general excise tax. Requires any state general excise tax paid by eligible businesses for RRF grants to be refunded to the tax payer. Applicable to taxable years beginning after 3/11/2021. COVID's impact on Hawai'i's economy was especially onerous due to the airline travel restrictions and our dependance on domestic and international tourism. Within Hawaii, the restaurant industry suffered sales losses more than other areas of the economy due to mandated restaurant closures, seating limitations, and increased operating costs such as hygiene procedures, sanitizing, compliant take out packaging, personal protective equipment, barriers, compounded by related labor shortages, etc. Through the federal government CARES Act PPP & EIDL programs, significant financial relief loans were provided to all manner of businesses which could be forgiven provided that the recipient used the funds for qualified expenses. The State Tax Dept exempt the PPP and EIDL loan forgiveness from GET on May 4, 2020.

Subsequently the American Rescue Plan Act of 2021 (ARPA), effective March 11, 2021 provided additional forgivable relief loans to over 1,100 restaurants in Hawai'i provided that the recipients could prove that all of the funds were spent on federally approved expenditures. Even though the intent, requirements and conditions of the RRF were identical to the PPP and EIDL, the State Tax Department did not inform taxpayers that the GET treatment of RRF funds was any different and in late 2023 began auditing recipients of the RRF loans and requiring them to pay

include the foregiven RRF as sales and recalculating additonal GET due on the revised sales figure. The result has been an unfair burden on restaurants that spent the funds as required by the Federal Government expecting the State Tax Dept to treat the RRF with the same consideration as the previous federal relief programs. We feel that SB1278 will provide the remedy to correct the inconsistent tax treatment of the RRF by the State Tax Dept.

Without programs like these, small businesses like Shorefyre and Skybox would not be here today priving exceptional food and guest experience to tourists and locals alike and deserve to be treated fairly by the State of Hawai'i.

March 12, 2025, 10 a.m.  
Hawaii State Capitol  
Conference Room 423 and Videoconference

**To: House Committee on Economic Development and Technology**  
**Rep. Greggor Ilagan, Chair**  
**Rep. Ikaika Hussey, Vice-Chair**

**From: Grassroot Institute of Hawaii**  
**Ted Kefalas, Director of Strategic Campaigns**

RE: SB1278 SD1 — RELATING TO THE GENERAL EXCISE TAX

Aloha Chair Ilagan, Vice-Chair Hussey and other members of the Committee,

The Grassroot Institute of Hawaii **supports** [SB1278 SD1](#), which would exempt from the state general excise tax any grants received by Hawaii businesses under the COVID-19-era Restaurant Revitalization Fund, and require the state Department of Taxation to issue refunds to businesses that have already paid the excise tax on RRF grants.

This bill would rectify an oversight by the state Department of Taxation and provide justice to the restaurants and eateries that were affected.

For some history: The tax department published a tax information release form in October 2020 stating that federal assistance programs such as the Paycheck Protection Program and Economic Injury Disaster Loans would not be subject to Hawaii's GET.

"Grants or other payments that replace or supplement income are normally subject to GET," the department wrote. "However, in light of the severity of the economic impact of the COVID-19 pandemic, GET will not be imposed on payments received under PUA [Pandemic Unemployment Assistance], loan amounts forgiven under PPP, and EIDL Grants."<sup>1</sup>

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<sup>1</sup> ["Tax Information Release No. 2020-06 \(Revised\)"](#), Hawaii Department of Taxation, Oct. 20, 2020, p. 3.

It made sense to waive the general rule that all business income is subject to the GET, but the department failed to update this waiver after Congress established the Restaurant Revitalization Fund in March 2021.

The RRF program provided grants of up to \$5 million per business location — not to exceed \$10 million for any one company — to replace income lost because of COVID-19.<sup>2</sup> In Hawaii, 1,147 bars, restaurants and eateries received \$416 million in grants, for an average of about \$362,900 per business.<sup>3</sup>

But because the tax department never updated its tax release, these businesses in some cases later had to pay thousands of dollars in GET on grants intended to help them stay afloat.

Bill Comerford, who before the lockdowns owned four Honolulu bars, is just one of the many people who were shocked that they had to pay taxes on these grants.

“They’re taxing me ... for receiving \$3.1 million [in federal Restaurant Relief Funds], ... which would be about \$160,000,” Comerford said in 2024. “That’s not chump change at all.”<sup>4</sup>

Russel Ryan, chief financial officer of Highway Inn restaurant, said he was “astonished” when he learned the restaurant owed taxes on the RRF monies.

“And of course, you know, we’re a small company, but we have budgets. ... We were never, ever, never, ever made aware in order to budget for this particular tax,” he said.<sup>5</sup>

For entrepreneurs Comerford, Ryan and the many others like them, this bill would right a three-year-old wrong.

Thank you for the opportunity to testify.

Ted Kefalas  
Director of Strategic Campaigns  
Grassroot Institute of Hawaii

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<sup>2</sup> [“Restaurant Revitalization Funding Program,”](#) U.S. Small Business Administration, April 28, 2021, p. 6.

<sup>3</sup> [“Restaurant Revitalization Fund \(RRF\) FOIA,”](#) U.S. Small Business Administration, last updated Oct. 21, 2024.

<sup>4</sup> [“‘Surprise’ state tax last straw for veteran Hawaii bar owner?”](#) Grassroot Institute of Hawaii, April 11, 2024.

<sup>5</sup> [“Will state Tax Department stick to its guns on restaurant tax?”](#) Grassroot Institute of Hawaii, Jan. 20, 2024.



**Testimony to the House Committee on Economic Development & Technology (ECD)  
Representative Greggor Ilagan, Chair  
Representative Ikaika Hussey, Vice Chair**

**Wednesday, March 12, 2025, at 10:00AM  
Conference Room 423 & Videoconference**

**RE: SB1278 SD1 Relating to the General Excise Tax**

Aloha e Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 1278 Senate Draft 1 (SB1278 SD1) which exempts from the state general excise tax any grants received from the federal Restaurant Revitalization Fund by an eligible business pursuant to the American Rescue Plan Act of 2021. Requires any state general excise taxes paid by eligible businesses for Restaurant Revitalization Fund grants to be refunded to the taxpayer. Applies retroactively to 3/11/2021.

SB1278 SD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Business Services. This bill promotes policies that drive economic growth, enhance workforce opportunities, and improve the quality of life for Hawaii's residents.

In response to the ongoing economic challenges brought by the COVID-19 pandemic, there is a critical need to ensure that federal relief funds reach businesses without undue tax burdens. The legislature notes that while the CARES Act provided forgivable loans and grants—such as those under the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) Grant—that were exempt from state general excise tax, the Restaurant Revitalization Fund (RRF) grants under ARPA have not received the same tax treatment. This discrepancy imposes additional costs on food and beverage businesses already struggling from pandemic-related revenue losses, undermining the intended support provided by federal relief efforts.

To address this imbalance, the bill exempts all RRF grants received by eligible businesses from state general excise taxation and mandates a refund for any tax paid on these funds, with retroactive effect from March 11, 2021. This corrective measure aims to align the tax treatment of RRF grants with that of other COVID-19 relief programs, thereby reinforcing the financial recovery of local businesses. The Chamber supports this initiative because it not only alleviates an unnecessary financial burden on small businesses but also strengthens the overall economic recovery by ensuring equitable treatment of federal relief funds.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass Senate Bill 1278 Senate Draft 1. Thank you for the opportunity to testify.



**SB-1278-SD-1**

Submitted on: 3/10/2025 1:31:34 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Brandon Lam	La Tour Cafe	Support	Written Testimony Only

Comments:

March 10, 2025

Greggor Ilagan, Chair

Ikaika Hussey, Vice Chair

Members of the House Committee on Economic Development & Technology

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Brandon Lam, and I live in Honolulu, Hawai'i. I am the CEO of La Tour Cafe operating #3 locations in Oahu serving sandwiches, burgers, macarons and pastries

We are testifying in strong support of Senate Bill 1278-SD1.

During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential to keep our restaurant going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

With the ongoing challenges restaurant owners face, we don't feel that being charged GE Tax on the grant is right and that is why we are in support of this bill.

Very truly yours,

Brandom Lam



March 10, 2025

COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY  
Rep. Greggor Ilagan, Chair  
Rep. Ikaika Hussey, Vice Chair

Re: Support for SB1278 SD1

Aloha Chair, Vice Chair, and Members of the Committee,

My name is Garrett W. Marrero, and I live in Kihei, Hawai'i. I am the CEO and Founder of Maui Brewing Co., operating locations in Lahaina, Kaanapali, and Kihei on Maui, and Waikiki and Kailua on Oahu. We distribute our beverages across Hawai'i, 26 states, and 2 countries. Since our founding in 2005, we have grown from 26 team members to over 400 statewide.

This year makes 20 years since we opened our doors. We are still recovering from the effects of COVID and now the Maui Fires. I am submitting testimony in Strong Support of Senate Bill 1278-SD1.

During the COVID-19 pandemic in 2020 and 2021, our business faced immense financial hardships due to island-wide lockdowns and government mandates, which significantly impacted our ability to operate even when we were permitted to remain open.

Thankfully, federal relief programs like the Paycheck Protection Program (PPP) provided a critical financial lifeline. The Hawai'i Department of Taxation ruled in 2020 that PPP loan forgiveness would not be subject to the state's general excise tax (GET), allowing businesses like ours to stabilize and continue employing workers.

In 2021, the federal government introduced the Restaurant Revitalization Fund (RRF), a program specifically designed to support the restaurant industry with a similar structure to the PPP. Our business applied for and received RRF funds, with the understanding that they would be forgiven as long as they were used exclusively for approved expenses. If the funds were misused or unspent, they would have to be returned. We ensured that every dollar was allocated according to program guidelines, which did not specify state excise tax as an approved expense.

These funds were critical in helping us sustain operations and preserve jobs. Given the 2020 ruling on PPP funds, we reasonably assumed that RRF grants would be treated the same way for tax purposes. However, in 2023, we were blindsided when the Tax Department demanded retroactive payment of general excise tax on our RRF grants.

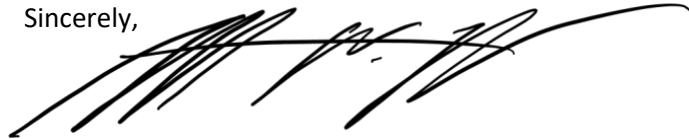
Handcrafted Ales & Lagers Brewed with Aloha  
605 Lipoa Parkway, Kihei, HI 96753  
808.213.3002

We believe this unexpected taxation is unfair, and that is why we strongly support this bill. Ensuring that businesses are not penalized for relying on federal relief in good faith is essential to maintaining trust and economic stability in our state.

I appreciate the opportunity to submit this testimony and urge you to support SB1278 SD1. Please feel free to reach out with any questions or further discussion.

Mahalo for your time and consideration!

Sincerely,

A handwritten signature in black ink, appearing to read 'Garrett W. Marrero', with a long, sweeping flourish extending to the right.

Garrett W. Marrero  
CEO/Founder

**SB-1278-SD-1**

Submitted on: 3/10/2025 1:53:26 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Sean Uezu	Popeyes Louisiana Kitchen	Support	Written Testimony Only

Comments:

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Sean Uezu, and I live in Honolulu, Hawai‘i. I am the President of Popeyes Hawaii, operating 8 locations across Oahu and Hawai‘i Island, specifically in Kalihi, Pahoehoe, Waipahu, and Kapahulu, among others. We provide employment for over 300 individuals, offer fast and delicious food services, and contribute significantly to the local economy through job creation and tax revenue.

We are testifying in **STRONG SUPPORT** of Senate Bill 1278-SD1.

During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates that significantly reduced our customer base, even when we were permitted to operate.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that provided a crucial lifeline for our business. The Tax Department ruled in 2020 that income realized through the PPP loan forgiveness was not subject to Hawaii general excise tax.

In 2021, the new administration introduced the Restaurant Revitalization Fund (RRF), a program specifically designed to support the restaurant industry, mirroring the structure of the PPP program. We applied for and received funds from the RRF, with the understanding that the loan would be forgiven if, and only if, the funds were used for government-approved expenses. Any unspent or improperly spent funds would have to be returned.

This funding was absolutely essential to maintaining our operations and ensuring continued employment for our 300 team members. We meticulously spent all RRF funds on government-approved expenses. We reasonably assumed that the 2020 general excise tax ruling for PPP would also apply to the RRF grants, and we found no indication in the RRF program guidelines that state excise tax payments were an approved expense.

However, in 2023, we were surprised and deeply concerned to learn that the Tax Department was demanding payment of retroactive general excise taxes on the RRF grants.

We believe this retroactive tax demand is unfair and inconsistent with the original intent of the RRF program, which was to provide critical financial relief to restaurants during an

unprecedented crisis. This unexpected tax burden threatens the stability of our business and the livelihoods of our employees, many of whom are our neighbors in communities like Kalihi, Pahoa, Mililani, Waipahu, and Kapahulu.

Therefore, we strongly urge the committee to support Senate Bill 1278-SD1, which will provide much-needed clarity and relief for businesses like ours that relied on the RRF to survive.

Mahalo for your consideration in this bill!

**SB-1278-SD-1**

Submitted on: 3/10/2025 2:02:45 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Tantra Bates	Hilo Bay Cafe	Support	Written Testimony Only

Comments:

March 10, 2025

Greggor Ilagan, Chair

Ikaika Hussey, Vice Chair

Members of the House Committee on Economic Development & Technology

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Tantra Bates and I live in Hilo, HI. I am the owner of Hilo Bay Café, which is a small restaurant providing employment to 48 residents and providing income for numerous local farmers, fisherman, and suppliers.

I am testifying in strong support of Senate Bill 1278-SD1.

During the COVID-19 pandemic in 2020 and 2021, Hilo Bay Cafe faced severe financial pressures during island-wide lockdowns and government mandates. These affected us even once the mandated closure was rescinded and we were allowed to begin accepting customers again. We are still reeling from the financial impact of reduced business and changed societal norms.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund, a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential to keep Hilo Bay Cafe going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

This was a lack of transparency on the part of our government. I do not think that is right, and that is why I am in support of this bill.

Aloha, Tantra Bates (owner, Hilo Bay Café)



**SB-1278-SD-1**

Submitted on: 3/10/2025 2:40:06 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kim Snuggerud	Hilo Bay Cafe	Support	Written Testimony Only

Comments:

I am the retired owner of Hilo Bay Cafe, a restaurant that received Restaurant Revitalization Funds (RRF), replacing income lost during the Covid pandemic. In January 2024, Hilo Bay Cafe paid GET and interest on the funds, a hardship that resulted in an unprofitable year for us during a time that was already difficult due to the constraints and changes resulting from the pandemic. I fully support SB1278. All other grants supplementing income, such as the Paycheck Protection Program (PPP) and Pandemic Unemployment Assistance (PUA) funds, were *not subject to GET*, so RRF funds must be treated equally.



March 10, 2025

Greggor Ilagan, Chair  
Ikaika Hussey, Vice Chair  
Members of the House Committee on Economic Development & Technology

**Dear Chair, Vice-Chair, and Members of the Committee:**

The 604 Hospitality Group LLC, representing eight dining establishments across Oahu and employing nearly 400 dedicated individuals, strongly supports SB 1278-SD1.

During the unprecedented challenges of the COVID-19 pandemic in 2020 and 2021, we faced overwhelming financial pressures due to island-wide lockdowns and government mandates. Even when allowed to open, the restrictions placed on us made operations nearly impossible. In our efforts to protect our team and continue operations, we exhausted our own reserves, long before programs like the Paycheck Protection Program (PPP) and the Restaurant Revitalization Fund (RRF) were enacted to support our industry.

Fortunately, the federal government introduced the PPP, which provided us with a lifeline. In 2020, the Hawaii Tax Department ruled that income received from the PPP loan forgiveness was not subject to Hawaii General Excise Tax (GET), giving us the clarity and support we desperately needed.

Then, in 2021, the new administration launched the Restaurant Revitalization Fund (RRF) to support restaurants specifically. Like the PPP, the RRF funds were forgivable, provided they were used for government-approved expenses. We applied for RRF funds and, in good faith, spent them in full on those approved expenses, including payroll, rent, and other critical operating costs. Based on the 2020 GET ruling, we believed that these RRF grants would be treated similarly for tax purposes, especially since state excise taxes were not listed as an approved use in the program guide.

However, in 2023, we were shocked to learn that the Tax Department was demanding payment of back GET on the RRF grants. This unexpected and unjust tax burden threatens our ability to recover fully from the economic hardships of the pandemic and undermines the spirit of the support we received from the federal government.



This is why we strongly support SB 1278-SD1, which will help ensure that businesses like ours are not unfairly taxed for the funds that were meant to help us survive and recover.

We appreciate your consideration and support of this important bill.

Mahalo,

Matthew Asato  
Executive Vice President

**SB-1278-SD-1**

Submitted on: 3/10/2025 7:05:23 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Roy Yamaguchi	Roy's Hawaii (Roy's Restaurant, Goen, Eating House 1849, Humble Market Kitchin)	Support	Written Testimony Only

Comments:

March 10, 2025

**Greggor Ilagan, Chair**

**Ikaika Hussey, Vice Chair**

**Members of the House Committee on Economic Development & Technology**

**Aloha Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:**

My name is Roy Yamaguchi and I am the chef and founder of Roy's Hawaii which includes Roy's Restaurant, Eating House 1849, Goen and Humble Market Kitchin. We have a total of 10 restaurants in Hawaii and employ more than 750+ Hawaii residents statewide.

We are testifying in **strong support of** Senate Bill 1278-SD1.

During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open. Yet, we kept as many people employed as we possible could during this unprecedented hardship.

Fortunately, the federal government provided the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP was not subject to Hawaii general excise tax.

In 2021, the new administration provided the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry. We were one of the fortunate restaurant groups to received the RRF funding to reimburse us for operating and staffing costs.

The RRF was essential to our restaurants and kept our workers employed. We spent all of the funding on government-approved expenses. We expected that the 2020 general excise tax ruling on hte PPP would also apply to the RRF grants, however that was not the case.

In 2023, the Tax Department ruled that the general excise tax would apply to the RRF. Because the PPP was not subject to the general excise tax, we believe the same rules should apply.

We would appreciate your consideration of exempting the general excise tax from the RRF funds that our restaurant group and other restaurants need to continue to make ends meet so that we can continue to support our local economy.

Sincerely,

Roy Yamaguchi



February 12, 2025

SB1278 & HB937 – Relating to the General Excise Tax

From Highway Inn

Members of the Committee:

We wholeheartedly thank the legislature for taking up this issue and offer our STRONG SUPPORT.

Since the state tax department first contacted us in late 2023 about collecting this tax, we have been hoping for a common-sense and reasonable decision to include the last of the COVID federal relief funds, which arrived in 2021, in the general GET exemption written in 2020 (TIR 2020-6), which generally excluded 2020 COVID federal relief funds from GET.

The Bill articulates this common sense approach on page 2, line 13 of the bill, "despite the purpose of RRF grants aligning with the rationale behind the PPP and EIDL grants,"... the state tax department in 2023, chose, by seeking to collect GET, to exclude RRF from the GET exemption for similarly purposed funds, despite the tax department's own 2020 guidance saying that "*However, in the light of the severity of the economic impact of the COVID-19, GET will **not** be imposed on payments received under PUA, loan amounts forgiven under PPP, and EIDL grants.* [TIR 2020-06 at 3.]

We have poor memories of recent events. We want to remind everyone of how severe the pandemic was for customer-facing businesses such as restaurants in 2020, 2021, and 2022. Had it not been for the federal government's grant intervention, many small businesses would not be here today. The pandemic was severe in 2020 when TIR 2020-6 was issued, and it was more severe in the summer of 2021 when the RRF grant monies were received.

Here is a brief timeline of how the pandemic affected restaurants, one of the hardest-hit business sectors by COVID-19.

- At the beginning of the pandemic in March 2020, the State ordered Restaurants to shut down, and we could only provide takeout. Revenue fell to 1/3<sup>rd</sup> of the levels seen in 2019.
- In the summer of 2020, the federal government launched PPP and EIDL. This program was a lifeline for many small businesses. It paid employees and fixed costs, which prevented us from losing employees and property leases.
- With federal assistance, restaurants limped through the summer of 2020 and into winter, trying all sorts of innovations and 'pivots' to remain viable. Gracefully, the tax department exempted forgiven PPP & EIDL loans from GET in the summer of 2020. COVID deaths in the US peaked in January 2021, and 2021 saw a maximum of nearly ½ million US Citizens die from COVID.

- In May 2021, the US Treasury launched RRF. The first COVID shots were in full swing, and restaurants were still severely compromised. We had outdoor seating, social distancing, contact tracing, delivery, and takeout. By the end of the year, our revenue increased to around two-thirds of 2019's levels. Importantly, RRF targeted restaurants owned by women, veterans, minorities, and economically disadvantaged groups. It was successful. The second COVID shot came out later in 2021.
- The pandemic raged on; US COVID deaths fell to ¼ million in 2022. Restaurant revenues did not return to 80% of pre-pandemic levels until mid-to-late 2022. As you know, many restaurants have not survived, and several are still struggling to recover from the longer-lasting changes to the restaurant environment. For example, the downtown Honolulu lunch economy cratered.

Then, in 2023 and 2024, 2.5 years later, Hawaii's tax department began collecting GET from restaurants, stating that because RRF (2021) is not included on the original list of federal funds (2020), it can collect GET on these funds. The RRF program (issued in 2021) can't be on a list created in 2020. We believe the omission of RRF is likely an administrative oversight, as the tax department never issued a ruling indicating that it had considered the RRF and issued tax guidance to exclude it specifically.

Moreover, it appears to us that the state tax department has forgotten that the majority of RRF recipients are largely groups federally protected from systemic discrimination (by design), and by choosing only to tax this group of COVID grant recipients, it is unknowingly discriminating against protected groups.

We have shown that in May 2021, the COVID-19 pandemic was still at its peak, and the state government's mandate shut down restaurants. The tax department has argued that RRF is different and should be excluded from the GET exemption because it is not on the original list. This is while stating that the exemption was implemented due to the severity of the pandemic. We have shown that the pandemic was still severe in 2021. The pandemic was more severe in 2021 than in 2020. Hence, we argue that the GET on RRF is inconsistent, illogical, unfair, and likely discriminatory.

**SB-1278-SD-1**

Submitted on: 3/11/2025 8:48:10 AM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Colonel Toma	604 Hospitality Group	Support	Written Testimony Only

Comments:

As an employee of the 604 Hospitality Group LLC, which operates eight dining establishments across Oahu and employs nearly 400 hardworking individuals, we strongly support SB 1278-SD1.

Throughout the COVID-19 pandemic in 2020 and 2021, we faced immense challenges as our businesses struggled to stay afloat. Island-wide lockdowns and government mandates severely impacted our ability to operate, and even when we were allowed to open, the restrictions made it incredibly difficult. In response, our management worked tirelessly to keep us employed, even dipping into their own reserves before federal programs like the Paycheck Protection Program (PPP) and the Restaurant Revitalization Fund (RRF) were introduced to help.

Thankfully, the PPP provided crucial support, and in 2020, the Hawaii Tax Department ruled that income from PPP loan forgiveness would not be subject to Hawaii General Excise Tax (GET), providing much-needed relief for businesses like ours.

Then, in 2021, the Restaurant Revitalization Fund (RRF) was launched to help restaurants specifically. Our company applied for these funds, and we used them strictly for government-approved expenses, such as payroll, rent, and other necessary operating costs. We trusted that the 2020 GET ruling would apply to the RRF grants as well, especially since paying state excise taxes wasn't listed as an approved expense in the RRF program guidelines.

However, in 2023, we were shocked and disheartened to learn that the Hawaii Tax Department is now demanding payment of back GET on the RRF grants. This unexpected tax burden feels unfair, especially given that the funds were intended to keep employees like us working during such uncertain times.

This is why we, the employees of 604 Hospitality Group, strongly support SB 1278-SD1. This bill is critical to ensuring that businesses like ours, which have fought so hard to keep people employed, are not unfairly taxed for funds that were meant to help us recover.

We urge you to consider the impact on employees and their families and support this important bill. Thank you for your consideration.





March 10, 2025

Greggor Ilagan Chair  
Ikaika Hussey Vice Chair  
Members of the House Committee on Economic Development & Technology

Dear Chair, Vice-Chair, and Members of the Committee:

Let us introduce ourselves, our names are Laren Gartner and Edna Bayliff and we are the owners and founders of Cheeseburger In Paradise Inc., Cheeseburger Mai Tais & Rock N Roll, LP and Waikiki Brewing Company LP. We started our first business, Cheeseburger In Paradise Inc. back in October of 1989 after falling in love with the islands and culture. Unfortunately, we were victims to the Maui Fire in August of 2023, where we lost 2 locations, our beloved first company Cheeseburger In Paradise, Lahaina and our recent venture, Waikiki Brewing Company Lahaina.

We are testifying in **STRONG SUPPORT** of Senate Bill 1278-SD1.

During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned. With these funds, we were able to retain 107 employees between Maui and Oahu.

That funding turned out to be essential to keep our restaurant going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

We do not think that is right, and that is why we are in support of this bill.

Mahalo,

Laren Gartner and Edna Bayliff  
Owners And Founders  
Cheeseburger In Paradise, Inc.  
Cheeseburger Mai Tais & Rock N Roll, LP  
Waikiki Brewing Company LP

**73875 HIGHWAY 70 PORTOLA CA 96122**  
**530/832-6871 Fax 530/832-6876 [www.cheeseburgerland.com](http://www.cheeseburgerland.com)**  
Cheeseburger In Paradise – Maui and Waikiki. Waikiki Brewing Company – Oahu and Maui

**SB-1278-SD-1**

Submitted on: 3/11/2025 10:26:37 AM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Nicole Doyle	Makai Grinds LLC	Support	Written Testimony Only

Comments:

March 11, 2025

Greggor Ilagan, Chair

Ikaika Hussey, Vice Chair

Members of the House Committee on Economic Development & Technology

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Nicole Doyle, and I live in Honolulu, Hawai‘i. I am an owner of Makai Grinds LLC operating 1 location in Oahu. We are a coffee shop cafe, employing 20 people, with an income of \$1.4 million annually.

We are testifying in **STRONG SUPPORT** of Senate Bill 1278-SD1.

During the COVID-19 pandemic in 2020 and 2021, another restaurant that I worked with, in tangent with my current business partner, and was lost in the Lahaina fires, faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential to keep our restaurant going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we saw in the RRF

program guide that payment of state excise taxes was an approved expense for the RRF program, but believed that was for GET taxes incurred from sales, not from the grant.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

We feel that grant money afforded us should have been forgiven completely if we followed the guidelines without any tax implications, and that is why we are in support of this bill.

Very truly yours,

Nicole Doyle







March 10, 2025

**To:** Rep. Gregor Ilagan, Chair  
Rep. Ikaika Hussey, Vice Chair  
Committee on Economic Development & Technology

**From:** L&L Hawaiian BBQ

**Subject: Strong Support for SB 1278, SD1 – Exemption of GET on RRF Grants**

Aloha Chair Ilagan, Vice Chair Hussey, and Members of the Committee,

L&L Hawaiian BBQ, a proud member of the Hawaii Restaurant Association and a staple in our local dining community, strongly supports **SB 1278, SD1**, which seeks to exempt the federal Restaurant Revitalization Fund (RRF) grants from the General Excise Tax (GET).

During the COVID-19 crisis, restaurants like ours faced unprecedented challenges. The RRF grants were a critical lifeline, intended to sustain businesses, keep employees on payroll, and ensure that we could continue serving our communities. These funds were provided in the same spirit as the **Paycheck Protection Program (PPP) grants**, which were **rightfully exempt from state taxation**. Unfortunately, the interpretation by the State Tax Department placed an undue burden on restaurants by applying the GET to these relief funds—contrary to how most states on the mainland handled it.

The **unanimous agreement** of the Senate Ways and Means Committee, along with the **Tax Foundation's position**, affirms what we and many others in the restaurant industry already know: **these funds were never meant to be taxed**. This bill is not about special treatment; it is about fairness and ensuring that relief dollars serve their intended purpose—to help businesses recover, not to be diminished by unintended taxation.

We urge the committee to **pass SB 1278, SD1** and correct this oversight. Doing so will provide much-needed financial relief to Hawaii's restaurants, many of which are still struggling to fully recover from the pandemic's impacts.

Mahalo for your time and consideration. We appreciate your leadership in supporting Hawaii's restaurant industry and local businesses.

**Respectfully,**

Andy Huang – COO  
L&L Hawaiian Barbecue



- ALASKA
- ARIZONA
- CALIFORNIA
- COLORADO
- FLORIDA
- GEORGIA
- HAWAII
- NEVADA
- NEW YORK
- NORTH CAROLINA
- SOUTH CAROLINA
- OREGON
- TEXAS
- VIRGINIA
- WASHINGTON
- JAPAN

February 10<sup>th</sup>, 2025

Committee On Ways and Means  
Sen. Donovan Dela Cruz, Chair  
Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice Chair, and Members of the Committee:

My name is Rebecca Cook-Schillaci and I live in Maui, Hawaii. I was the COO of Bev Gannon Restaurants which included Haliimaile General, Gannons and Celebration Catering.

The uncertainty and stress of navigating the Covid-19 pandemic in 2020 and 2021 was overwhelming to say the least. Having to lay off over 100 employees with no idea of when we could offer some hope of employment for them.

I understood that the (PPP) loans we received were not subject to Hawaii general excise tax.

After applying and receiving the much-needed Restaurant Revitalization Fund and told we would be eligible for forgiveness if we used the money for expenses approved by the Government. We believed that the 2020 general excise tax ruling would also apply to the RRF grants, I did contact The Hawaii Excise Tax office in Maui was told that we would not need to pay the excise tax.

While these funds were life altering to our business and helped many Maui residents stay employed, we would have budgeted the money received if we were aware of the GE tax liability.

To be asked after the fact in 2023 is quite shocking and I do not believe this is right and that is why I am in support of this bill.

Very truly yours,

Rebecca Cook Schillaci

MARCH 10, 2025

GREGOR IIAGAN, CHAIR

IKAIKA HUSSEY, VICE CHAIR

MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Members of the Committee:

My name is Bev Gannon and I am testifying FOR Senate Bill 1278. I have lived on Maui for 45 years. I owned and operated three successful restaurants, Hali'imaile General Store for 36 years, Joe's Bar and Grill for 19 years, and Gannons 15 years. I employed over 100 people. COVID almost closed the doors forever. The struggle was monumental. Without the federal grants we would never have been able to reopen.

Without the RRF monies, we might not have been able to stay open.

I ran a very successful catering business for 38 years. That business did not survive COVID, no matter how hard we tried to keep it going. We were told quite a few times, verbally on phone calls, that we did not owe GET tax on the RRF grant monies. I have to say I was shocked when two years later all restaurants that received RRF monies were told we would have to pay GET tax on that money, even though all other COVID related monies did not. During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open. The Federal government programs helped us through the desperate times. The State of Hawaii helped us by not making us pay GET tax on that money, which was extremely helpful during that time. In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. That funding turned out to be essential to keep our restaurants going and to keep our workers employed. We spent the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants. Then, in 2023, we



were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

I STRONGLY URGE YOU TO PASS sb 1278.

Respectfully,

Bev Gannon

(808)870-2225

hgsboboli@gmail.

**SB-1278-SD-1**

Submitted on: 3/10/2025 6:06:43 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
rob@restaurant604.com	Individual	Support	Written Testimony Only

Comments:

**As an employee of the 604 Hospitality Group LLC, which operates eight dining establishments across Oahu and employs nearly 400 hardworking individuals, we strongly support SB 1278-SD1.**

**Throughout the COVID-19 pandemic in 2020 and 2021, we faced immense challenges as our businesses struggled to stay afloat. Island-wide lockdowns and government mandates severely impacted our ability to operate, and even when we were allowed to open, the restrictions made it incredibly difficult. In response, our management worked tirelessly to keep us employed, even dipping into their own reserves before federal programs like the Paycheck Protection Program (PPP) and the Restaurant Revitalization Fund (RRF) were introduced to help.**

**Thankfully, the PPP provided crucial support, and in 2020, the Hawaii Tax Department ruled that income from PPP loan forgiveness would not be subject to Hawaii General Excise Tax (GET), providing much-needed relief for businesses like ours.**

**Then, in 2021, the Restaurant Revitalization Fund (RRF) was launched to help restaurants specifically. Our company applied for these funds, and we used them strictly for government-approved expenses, such as payroll, rent, and other necessary operating costs. We trusted that the 2020 GET ruling would apply to the RRF grants as well, especially since paying state excise taxes wasn't listed as an approved expense in the RRF program guidelines.**

**However, in 2023, we were shocked and disheartened to learn that the Hawaii Tax Department is now demanding payment of back GET on the RRF grants. This unexpected tax burden feels unfair, especially given that the funds were intended to keep employees like us working during such uncertain times.**

**This is why we, the employees of 604 Hospitality Group, strongly support SB 1278-SD1. This bill is critical to ensuring that businesses like ours, which have fought so hard to keep people employed, are not unfairly taxed for funds that were meant to help us recover.**

**We urge you to consider the impact on employees and their families and support this important bill. Thank you for your consideration.**



**SB-1278-SD-1**

Submitted on: 3/10/2025 6:08:26 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
christina gass	Individual	Support	Written Testimony Only

Comments:

**As an employee of the 604 Hospitality Group LLC, which operates eight dining establishments across Oahu and employs nearly 400 hardworking individuals, we strongly support SB 1278-SD1.**

**Throughout the COVID-19 pandemic in 2020 and 2021, we faced immense challenges as our businesses struggled to stay afloat. Island-wide lockdowns and government mandates severely impacted our ability to operate, and even when we were allowed to open, the restrictions made it incredibly difficult. In response, our management worked tirelessly to keep us employed, even dipping into their own reserves before federal programs like the Paycheck Protection Program (PPP) and the Restaurant Revitalization Fund (RRF) were introduced to help.**

**Thankfully, the PPP provided crucial support, and in 2020, the Hawaii Tax Department ruled that income from PPP loan forgiveness would not be subject to Hawaii General Excise Tax (GET), providing much-needed relief for businesses like ours.**

**Then, in 2021, the Restaurant Revitalization Fund (RRF) was launched to help restaurants specifically. Our company applied for these funds, and we used them strictly for government-approved expenses, such as payroll, rent, and other necessary operating costs. We trusted that the 2020 GET ruling would apply to the RRF grants as well, especially since paying state excise taxes wasn't listed as an approved expense in the RRF program guidelines.**

**However, in 2023, we were shocked and disheartened to learn that the Hawaii Tax Department is now demanding payment of back GET on the RRF grants. This unexpected tax burden feels unfair, especially given that the funds were intended to keep employees like us working during such uncertain times.**

**This is why we, the employees of 604 Hospitality Group, strongly support SB 1278-SD1. This bill is critical to ensuring that businesses like ours, which have fought so hard to keep people employed, are not unfairly taxed for funds that were meant to help us recover.**

**We urge you to consider the impact on employees and their families and support this important bill. Thank you for your consideration.**



Dawn Kanealii-Kleinfelder

Owner – Liko Lehua (Value-Added Agricultural Producer and restaurant owner)

3/10/2025

Honorable Members of the State Legislature

Re: Bill 1278 Relating to the General Excise Tax: Exemption; Covid-19 & ARPA Fund; Restaurant Revitalization Fund

Aloha Honorable Representatives,

I am a Hawaiian female business owner who was raised to never succeed; I owned two restaurants before the pandemic – I now own one. We holomua. In 2021 I lost my full service restaurant.... this was like losing a child. This is my story and my why I urge the approval of this Bill. Although the conversation to date has been seemingly favorable, I would like to provide to the Committee why this measure is of huge importance to my Ohana and our wellbeing.

During the pandemic, we were required to close by State and Federal mandate to limit close contact spread – **this was not optional**. We were closed for months yet maintained and incurred overhead costs, staff, and other associated costs per the advice of the Federal and State governments. These government requests in turn protected State and Federal coffers from massive Unemployment Claims as businesses were still paying employees.

We were promised and received grants including PPP and RRF, as well as long term debt via the EIDL. **These funds were a lifeboat to small business** and paid for pre and post Covid expenses.

During and after the pandemic; and through our loss, we worked with our Accounting Agency to understand the impacts, provide reports, justify expenses, income, etc. to the SBA and State government. My team fulfilled every requirement.

**I was floored when I realized the State would consider grant funding provided to small business as relief from mandated closures as taxable income. This equates to roughly 40% of the grant funding.** The CARES act and ARPA plan clarified this was an **option** that States could enact. Given the State and County 2022-23 General Excise, Property Values, and other associated revenue accounts soared beyond expectations, the taxation of my “income” was a gross failure to protect the mom-and-pop restaurants. Businesses like mine across the State are still recovering ... I am still recovering.

This is my story. I cried and I worked through the loss. I asked for help through all of my channels.  
They fell on deaf ears.

Mahalo for offering respite offering a hand to the little guys – this is truly a win for little guys.

Me ke aloha,

Dawn

**SB-1278-SD-1**

Submitted on: 3/10/2025 7:26:53 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Sheralynn Mora	Individual	Support	Written Testimony Only

Comments:

Getting this reimbursement will help us recover and continue supporting our team, ensuring that we can keep providing the best service possible to our customers. Your support is crucial in making sure that local businesses like ours can receive the assistance we need to keep moving forward. This reimbursement is a significant step in helping our industry bounce back from the challenges of restrictions and double taxation imposed by the State. Your understanding and continued patronage are greatly appreciated as we navigate these difficult times.



**SB-1278-SD-1**

Submitted on: 3/11/2025 12:37:53 AM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Bill Comerford	Individual	Support	In Person

Comments:

Testimony SB 1278 SD1;

E & J Lounge Operating Company DbA Irish Rose Saloon

DbA Anna O'Briens

PO Box 75097

Honolulu, HI 96836

[808-223-3997](tel:808-223-3997)

March 10, 2025

COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Rep. Greggor Ilagan, Chair

Rep. Ikaika Hussey, Vice Chair

Rep. Daniel Holt

Rep. Adrian K. Tam

Rep. Shirley Ann Templo

Rep Chris Todd

Rep Lauren Matsumoto

## I STRONGLY SUPPORT PASSAGE OF THIS BILL SB1278 SD1

I, Bill Comerford am the last remaining member and chairman of the Hawaii Bar Owner Association, (HIBOA) an organization of liquor license holders in the bar, restaurant and nightclub industry here in Hawaii destroyed through COVID lockdowns,

In March of 2020 I was the president of E & J Lounge Operating Co. operating multiple bars and nightclubs on Oahu since 1984 ( The Irish Rose Saloon, Kelley O'Neil's, O'Toole's Irish Pub and Anna O'Brien's All live music bars and clubs) we operated a successful operation for decades. At the point of the COVID lockdowns we were doing 6.5 million a year with no debt. We had 80 plus employees many with benefits and profit sharing plans if they worked the 20 hour week. It was a successful company.

We closed mid March under the lockdowns and received PPP FUNDS and an EIDL Loan in April. All of which were applied appropriately and gone by June before we had a chance to reopen. It was distributed according to congressional law 75% toward payroll and only 25% toward

insurance, rent, CAM, utilities and taxes. Which covered only one month of expenses.

We were then allowed to open on June 19 under severe restrictions.

Why? Because every license expires and must be renewed by June 30th.

The mayor opened us to fund the Honolulu Liquor Commission. We had to also incur the cost of the mandatory liquor liability for a million dollar coverage. Once completing that, the mayor, Mr Caldwell shut us down again in July and kept us closed through the remainder of his term through January of 2021.

During this time Bars were open throughout the state except for on Oahu under our mayor and health department.

We closed all operations in August with inadequate income and increasing debt of more than a million. Our bars had no value, you could not operate and you could not sell a business that could not open.

So we closed. Losing massive amounts of hard earned funds including personal retirement funds.

With a last hope we tried applying for Shuttered Venue Grants having live music venues. That program opened for applications in October and if you were applying you were not allowed any further PPP money. That program never fully materialized and dragged well into April of 2021 and we were excluded from the program because we didn't have fixed seating.

We then applied for the RRF program, that was introduced in the spring of 2021. Being severely in debt we applied and were successful in gaining the grant for 3.1 million to be applied and fully used to reopen our closed operations in July of 2021. Funds had to be fully utilized by March of 2023. It was a blessing and a curse. All funds were used while we opened again two bars, Irish Rose Saloon and Anna O'Briens under severe restrictions but lost two key operations Kelley O'Neil's and O'Toole's to dramatic forced sales not reflective of their true value. We were open not to thrive but to become the hostility industry rather than hospitality industry. We took names, addresses, vaccination cards, checked masks, separated people, secured surfaces and entrances and exits and had to close at 10 pm historically the time of night our business starts, after all we were nightclubs.

Just because your open doesn't mean you are making rent, payroll, insurance, utilities, taxes, cost of goods, it has been a losing process to this day.

Meanwhile I'm 72 working everyday, my retirement has dwindled rapidly trying to keep it alive in a truly unfriendly business state. Upon reopening I lost all management, my partner exited to Florida, my controller moved to Texas, my bookkeeper to Oregon. I was running it alone and dying from it. My blood pressure has been in the stroke range for a year 210/180 as I am audited by the Liquor commission for under reporting sales, I know guys I used to do 1.3 million in sales and you question why I reported 63k but you closed me that's actual sales for a year. I'm audited by the labor department for labor practices and passed and then by the tax department for The GET for 160k which without your forgiveness here will end up closer to 300 k with penalties and interest.

I have come to two choices,

1/ close and leave hawaii after 45 years here in the bar and club industry or

2/ stay, go broke and die from government inflicted stress.

After all I did nothing wrong but operate bars and clubs in Hawaii for 45 years, Irish pubs where I helped maintain the Friends of Saint Patrick, assured the St Patrick Day parade for 20 years, engaged with Don Murphy to put on the Downtown block party, provided Irish Dance classes on my business property, Irish music from around the world, golf tournaments and events , weddings, wakes, benefits and social gatherings, and provide nightclubs with live dance music every day of the year. All things that HTA and government asked of me. The creation of Celtic Days of Honolulu and Hawaii both signed by Mr Caldwell and Governor Ige with me at their desks. During this Pandemic that lasted for 3 years those respected gentleman never took a call, an email, a text or a letter to communicate with anyone in our industry.

Committee please recognize that nobody in government gave a damn about our industry and still doesn't till this day. You put all the good and experienced operators out of business. Government was absent, at home and taking care of itself.

Please enact this Bill for small businesses and show a bit of aloha to all the businesses that suffered through to survive by means of the RRF in 2021 those who were more damaged and not forgiven like those in 2020 who had their forgiveness.

Please pass SB 1278 SD1

Sincerely,

Bill Comerford

President of

E& J Lounge Operating Company

Chairman of HIBOA



**SB-1278-SD-1**

Submitted on: 3/11/2025 8:53:53 AM

Testimony for ECD on 3/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jordan	Individual	Support	Written Testimony Only

Comments:

**As an employee of the 604 Hospitality Group LLC, which operates eight dining establishments across Oahu and employs nearly 400 hardworking individuals, we strongly support SB 1278-SD1.**

**Throughout the COVID-19 pandemic in 2020 and 2021, we faced immense challenges as our businesses struggled to stay afloat. Island-wide lockdowns and government mandates severely impacted our ability to operate, and even when we were allowed to open, the restrictions made it incredibly difficult. In response, our management worked tirelessly to keep us employed, even dipping into their own reserves before federal programs like the Paycheck Protection Program (PPP) and the Restaurant Revitalization Fund (RRF) were introduced to help.**

**Thankfully, the PPP provided crucial support, and in 2020, the Hawaii Tax Department ruled that income from PPP loan forgiveness would not be subject to Hawaii General Excise Tax (GET), providing much-needed relief for businesses like ours.**

**Then, in 2021, the Restaurant Revitalization Fund (RRF) was launched to help restaurants specifically. Our company applied for these funds, and we used them strictly for government-approved expenses, such as payroll, rent, and other necessary operating costs. We trusted that the 2020 GET ruling would apply to the RRF grants as well, especially since paying state excise taxes wasn't listed as an approved expense in the RRF program guidelines.**

**However, in 2023, we were shocked and disheartened to learn that the Hawaii Tax Department is now demanding payment of back GET on the RRF grants. This unexpected tax burden feels unfair, especially given that the funds were intended to keep employees like us working during such uncertain times.**

**This is why we, the employees of 604 Hospitality Group, strongly support SB 1278-SD1. This bill is critical to ensuring that businesses like ours, which have fought so hard to keep people employed, are not unfairly taxed for funds that were meant to help us recover.**

**We urge you to consider the impact on employees and their families and support this important bill. Thank you for your consideration.**



**SB-1278-SD-1**

Submitted on: 3/11/2025 9:35:16 AM

Testimony for ECD on 3/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Catherine Kahue	Individual	Support	Written Testimony Only

Comments:

**As an employee of the 604 Hospitality Group LLC, which operates eight dining establishments across Oahu and employs nearly 400 hardworking individuals, we strongly support SB 1278-SD1.**

**Throughout the COVID-19 pandemic in 2020 and 2021, we faced immense challenges as our businesses struggled to stay afloat. Island-wide lockdowns and government mandates severely impacted our ability to operate, and even when we were allowed to open, the restrictions made it incredibly difficult. In response, our management worked tirelessly to keep us employed, even dipping into their own reserves before federal programs like the Paycheck Protection Program (PPP) and the Restaurant Revitalization Fund (RRF) were introduced to help.**

**Thankfully, the PPP provided crucial support, and in 2020, the Hawaii Tax Department ruled that income from PPP loan forgiveness would not be subject to Hawaii General Excise Tax (GET), providing much-needed relief for businesses like ours.**

**Then, in 2021, the Restaurant Revitalization Fund (RRF) was launched to help restaurants specifically. Our company applied for these funds, and we used them strictly for government-approved expenses, such as payroll, rent, and other necessary operating costs. We trusted that the 2020 GET ruling would apply to the RRF grants as well, especially since paying state excise taxes wasn't listed as an approved expense in the RRF program guidelines.**

**However, in 2023, we were shocked and disheartened to learn that the Hawaii Tax Department is now demanding payment of back GET on the RRF grants. This unexpected tax burden feels unfair, especially given that the funds were intended to keep employees like us working during such uncertain times.**

**This is why we, the employees of 604 Hospitality Group, strongly support SB 1278-SD1. This bill is critical to ensuring that businesses like ours, which have fought so hard to keep people employed, are not unfairly taxed for funds that were meant to help us recover.**

**We urge you to consider the impact on employees and their families and support this important bill. Thank you for your consideration.**





**SB-1278-SD-1**

Submitted on: 3/11/2025 7:07:19 PM

Testimony for ECD on 3/12/2025 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Randall John Francisco	Individual	Support	Written Testimony Only

Comments:

I strongly support & request that you pass this important legislation to esp., help the industry who has continuously experienced even more challenges. Mahalo.