
A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Hawaii has the
2 highest cost of living in the nation. The general excise tax is
3 levied on nearly all economic activity, which is passed on to
4 customers in the form of higher prices. This can be alleviated
5 by exempting food and medical services.

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

15 Thirty-nine states plus the District of Columbia exempt
16 groceries from their sales taxes, and another five states tax



1 groceries at lower rates than other goods. The legislature
2 finds that it is time for Hawaii to join this majority.

3 Health care further contributes to the higher cost of
4 living. Hawaii is one of only a handful of states that tax
5 medical services and, until the enactment of Act 47, Session
6 Laws of Hawaii 2024 (Act 47), the only state to tax medicare
7 services. Act 47 exempted medical and dental services covered
8 by medicare, medicaid, and TRICARE from the general excise tax.
9 A broader exemption on all medical and dental services would
10 lighten the tax burden on privately practicing medical providers
11 and address Hawaii's health professional shortage by
12 incentivizing qualified physicians to practice in the State,
13 thus resulting in lower health care costs to patients.
14 According to a study commissioned by the Grassroot Institute of
15 Hawaii, Hawaii residents and health care professionals would
16 receive a \$222,000,000 tax cut if medical services were exempt
17 from the general excise tax.

18 The State's current general surplus of \$1,000,000,000 and
19 projected continued surplus over the next three fiscal years
20 position the State to responsibly adopt the proposed tax
21 exemptions. The purpose of this Act is to exempt food and



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

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

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

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

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



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

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

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



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

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

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

15 (c) As used in this section:

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

20 "Food" or "food ingredients" means substances, whether in
21 liquid, concentrated, solid, frozen, dried, or dehydrated form,



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

9 "Prepared food" means:

10 (1) Food sold in a heated state or heated in by the
11 seller;

12 (2) Food sold with eating utensils provided by the seller,
13 including plates, knives, forks, spoons, chopsticks,
14 glasses, cups, napkins, or straws. A plate does not
15 include a container or packaging used to transport the
16 food; or

17 (3) Two or more food ingredients mixed or combined by the
18 seller for sale as a single item, except:

19 (A) Food that is only cut, repackaged, or pasteurized
20 by the seller; or



1 (B) Raw eggs, meat, poultry, or foods containing
2 these raw animal foods requiring cooking by the
3 consumer as recommended by the federal Food and
4 Drug Administration in chapter 3, part 401.11 of
5 the Food Code, published by the Food and Drug
6 Administration, as amended or renumbered, to
7 prevent foodborne illness."

8 SECTION 3. Section 237-24.3, Hawaii Revised Statutes, is
9 amended to read as follows:

10 **"§237-24.3 Additional amounts not taxable.** In addition to
11 the amounts not taxable under section 237-24, this chapter shall
12 not apply to:

13 (1) Amounts received from the loading, transportation, and
14 unloading of agricultural commodities shipped for a
15 producer or produce dealer on one island of this State
16 to a person, firm, or organization on another island
17 of this State. The terms "agricultural commodity",
18 "producer", and "produce dealer" shall be defined in
19 the same manner as they are defined in section 147-1;
20 provided that agricultural commodities need not have
21 been produced in the State;



1 (2) Amounts received by the manager, submanager, or board
2 of directors of:

3 (A) An association of a condominium property regime
4 established in accordance with chapter 514B or
5 any predecessor thereto; or

6 (B) A nonprofit homeowners or community association
7 incorporated in accordance with chapter 414D or
8 any predecessor thereto and existing pursuant to
9 covenants running with the land,

10 in reimbursement of sums paid for common expenses;

11 (3) Amounts received or accrued from:

12 (A) The loading or unloading of cargo from ships,
13 barges, vessels, or aircraft, including
14 stevedoring services as defined in section 382-1,
15 whether or not the ships, barges, vessels, or
16 aircraft travel between the State and other
17 states or countries or between the islands of the
18 State;

19 (B) Tugboat services including pilotage fees
20 performed within the State, and the towage of



1 ships, barges, or vessels in and out of state
2 harbors, or from one pier to another;

3 (C) The transportation of pilots or governmental
4 officials to ships, barges, or vessels offshore;
5 rigging gear; checking freight and similar
6 services; standby charges; and use of moorings
7 and running mooring lines; and

8 (D) Wharfage and demurrage imposed under chapter 266
9 that is paid to the department of transportation;

10 (4) Amounts received by an employee benefit plan by way of
11 contributions, dividends, interest, and other income;
12 and amounts received by a nonprofit organization or
13 office, as payments for costs and expenses incurred
14 for the administration of an employee benefit plan;
15 provided that this exemption shall not apply to any
16 gross rental income or gross rental proceeds received
17 after June 30, 1994, as income from investments in
18 real property in this State; and provided further that
19 gross rental income or gross rental proceeds from
20 investments in real property received by an employee
21 benefit plan after June 30, 1994, under written



1 contracts executed prior to July 1, 1994, shall not be
2 taxed until the contracts are renegotiated, renewed,
3 or extended, or until after December 31, 1998,
4 whichever is earlier. For the purposes of this
5 paragraph, "employee benefit plan" means any plan as
6 defined in title 29 United States Code section
7 1002(3), as amended;

8 (5) Amounts received for purchases made with United States
9 Department of Agriculture food coupons under the
10 federal food stamp program, and amounts received for
11 purchases made with United States Department of
12 Agriculture food vouchers under the Special
13 Supplemental Foods Program for Women, Infants and
14 Children;

15 (6) Amounts received by a hospital, infirmary, medical
16 clinic, health care facility, pharmacy, or a
17 practitioner licensed to administer the drug to an
18 individual for selling prescription drugs or
19 prosthetic devices to an individual; provided that
20 this paragraph shall not apply to any amounts received



1 for services provided in selling prescription drugs or
2 prosthetic devices. As used in this paragraph:

3 "Prescription drugs" are those drugs defined
4 under section 328-1 and dispensed by filling or
5 refilling a written or oral prescription by a
6 practitioner licensed under law to administer the drug
7 and sold by a licensed pharmacist under section 328-16
8 or practitioners licensed to administer drugs;
9 provided that "prescription drugs" shall not include
10 cannabis or manufactured cannabis products authorized
11 pursuant to chapters 329 and 329D; and

12 "Prosthetic device" means any artificial device
13 or appliance, instrument, apparatus, or contrivance,
14 including their components, parts, accessories, and
15 replacements thereof, used to replace a missing or
16 surgically removed part of the human body, which is
17 prescribed by a licensed practitioner of medicine,
18 osteopathy, or podiatry and that is sold by the
19 practitioner or that is dispensed and sold by a dealer
20 of prosthetic devices; provided that "prosthetic
21 device" shall not mean any auditory, ophthalmic,



1 dental, or ocular device or appliance, instrument,
2 apparatus, or contrivance;

3 (7) Taxes on transient accommodations imposed by chapter
4 237D and passed on and collected by operators holding
5 certificates of registration under that chapter;

6 (8) Amounts received as dues by an unincorporated
7 merchants association from its membership for
8 advertising media, promotional, and advertising costs
9 for the promotion of the association for the benefit
10 of its members as a whole and not for the benefit of
11 an individual member or group of members less than the
12 entire membership;

13 (9) Amounts received by a labor organization for real
14 property leased to:

15 (A) A labor organization; or

16 (B) A trust fund established by a labor organization
17 for the benefit of its members, families, and
18 dependents for medical or hospital care, pensions
19 on retirement or death of employees,
20 apprenticeship and training, and other membership
21 service programs.



1 As used in this paragraph, "labor organization" means
2 a labor organization exempt from federal income tax
3 under section 501(c)(5) of the Internal Revenue Code,
4 as amended;

5 (10) Amounts received from foreign diplomats and consular
6 officials who are holding cards issued or authorized
7 by the United States Department of State granting them
8 an exemption from state taxes;

9 (11) Amounts received as rent for the rental or leasing of
10 aircraft or aircraft engines used by the lessees or
11 renters for interstate air transportation of
12 passengers and goods. For purposes of this paragraph,
13 payments made pursuant to a lease shall be considered
14 rent regardless of whether the lease is an operating
15 lease or a financing lease. The definition of
16 "interstate air transportation" is the same as in 49
17 U.S.C. section 40102; and

18 (12) Amounts received by a hospital, infirmary, medical
19 clinic, health care facility, or pharmacy, or a
20 medical or dental practitioner, for healthcare-related
21 goods or services purchased [~~under the medicare,~~



1 ~~medicaid, or TRICARE programs~~]. For the purposes of
2 this paragraph, the healthcare-related services need
3 not be performed by a medical or dental practitioner
4 but may be performed by a physician's assistant,
5 nurse, or other employee under the medical or dental
6 practitioner's direction.

7 As used in this paragraph[+]

8 ~~"Medicaid" means the program established under~~
9 ~~Title XIX of the Social Security Act of 1935, as~~
10 ~~amended;~~

11 ~~"Medical]~~, "medical or dental practitioner" means
12 a physician or osteopathic physician licensed pursuant
13 to chapter 453; a dentist licensed under chapter 448;
14 an advanced practice registered nurse licensed
15 pursuant to chapter 457; or a pharmacist licensed
16 pursuant to chapter 461[+]

17 ~~"Medicare" means the program established under~~
18 ~~Title XVIII of the Social Security Act of 1935, as~~
19 ~~amended; and~~



1 ~~"TRICARE" means the program of the Department of~~
2 ~~Defense military health system managed by the Defense~~
3 ~~Health Agency, or any successor program]."~~

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

6 SECTION 5. This Act shall take effect on July 1, 3000.



Report Title:

GET; Exemption; Food; Medical Services; Dental Services

Description:

Exempts food and groceries from certain healthcare-related goods or services that were not the general excise tax. Expands general excise tax exemptions to include purchased under the Medicare, Medicaid, and TRICARE programs. Effective 7/1/3000.
(HD1)

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