
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 one of
2 the highest costs of living in the nation. The general excise
3 tax is levied on nearly all economic activity, which is passed
4 on to customers in the form of higher prices. This can be
5 alleviated 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 \$1,431
13 per month on food would save over \$687 each year if food were
14 exempt from the general excise tax.

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



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

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

17 The purpose of this Act is to exempt food and medical
18 services from the general excise tax to lower the cost of living
19 for Hawaii families.



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

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

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

(1) In the case of persons sixty years of age or over, or who receive supplemental security income benefits, or disability or blindness payments under Title I, II, X, XIV, or XVI or the Social Security Act (42 U.S.C. 301 et seq., 401 et seq., 1201 et seq., 1351 et seq., 1381 et seq.) and their spouses, meals prepared by and served in senior citizens' centers, apartment buildings occupied primarily by such persons, public or private nonprofit establishments, eating or otherwise, that feed such persons, private establishments that contract with the appropriate agency of the State to offer meals for such persons at



1 concessional prices, and meals prepared for and served
2 to residents of federally subsidized housing for the
3 elderly;

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

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



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

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

13 (c) As used in this section:

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

18 "Food" means substances, whether in liquid, concentrated,
19 solid, frozen, dried, or dehydrated form, that are sold for
20 their ingestion or chewing by humans and are consumed for their
21 taste or nutritional value. Food or food ingredients does not



1 include alcoholic beverages, tobacco, prepared food, soft
2 drinks, dietary supplements, or food or food ingredients sold
3 from a vending machine, whether cold or hot; provided that food
4 or food ingredients sold from a vending machine that is
5 subsequently heated shall be subject to this chapter.

6 "Prepared food" means:

7 (1) Food sold in a heated state or heated in by the
8 seller;

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

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

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

18 (B) Raw eggs, meat, poultry, or foods containing
19 these raw animal foods requiring cooking by the
20 consumer as recommended by the federal Food and
21 Drug Administration in Chapter 3, part 401.11 of



1 the Food Code, published by the Food and Drug
2 Administration, as amended or renumbered, to
3 prevent foodborne illness."

4 SECTION 3. Section 237-24.3, Hawaii Revised Statutes, is
5 amended by amending subsection (12) to read as follows:

6 "(12) Amounts received by a hospital, infirmary, medical
7 clinic, health care facility, or pharmacy, or a
8 medical or dental practitioner, for healthcare-related
9 goods or services [~~purchased under the medicare,~~
10 ~~medicaid, or TRICARE programs~~]. For the purposes of
11 this paragraph, the healthcare-related services need
12 not be performed by a medical or dental practitioner
13 but may be performed by a physician's assistant,
14 nurse, or other employee under the medical or dental
15 practitioner's direction. As used in this paragraph:

16 ~~["Medicaid" means the program established under~~
17 ~~Title XIX of the Social Security Act of 1935, as~~
18 ~~amended;]~~

19 "Medical or dental practitioner" means a
20 physician or osteopathic physician licensed pursuant
21 to chapter 453; a dentist licensed under chapter 448;



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an advanced practice registered nurse licensed
pursuant to chapter 457; or a pharmacist licensed
pursuant to chapter 461[+]

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

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

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

SECTION 5. This Act shall take effect on January 1, 2028.

INTRODUCED BY:

[Handwritten signatures: Dan, Jan M. L., Jan M. Shinn, and others]



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Report Title:

GET; Exemption; Food; Medical Services; Dental; Minority Caucus Package

Description:

Exempts food and groceries from the general excise tax. Expands the general excise tax exemption implemented in 2024 for certain medical and dental services to include all medical and dental services.

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