

JAN 23 2026

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## A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

1 SECTION 1. The legislature finds that recent statewide  
2 research on food insecurity indicates that the State continues  
3 to experience one of the highest household food insecurity rates  
4 in the nation, with approximately one-third of households  
5 reporting difficulty obtaining enough food and significantly  
6 higher rates in certain counties. Farmers and ranchers  
7 throughout the State face extraordinarily high operating costs,  
8 including costs associated with inputs, land, transportation,  
9 energy, and labor. The structure of the general excise tax  
10 (GET) imposes additional burdens on Hawaii's agricultural  
11 producers because the GET is pyramided, meaning it is applied at  
12 multiple stages of production, processing, distribution, and  
13 retail.

14 The legislature further finds that although direct  
15 farm-gate sales of certain raw agricultural products may be  
16 exempt under existing law, most producers who participate in  
17 modern supply chains incur GET at several points along the path



1 from seed to final sale, including purchases of seeds, soil  
2 amendments, fertilizer, feed, equipment, supplies, packaging,  
3 and contracted services; sales to processors, distributors, or  
4 wholesalers; and retail sales to consumers. As a result,  
5 products grown in Hawaii may carry an effective tax burden  
6 significantly higher than the nominal four per cent rate, with  
7 cumulative GET impacts sometimes reaching five to eight per cent  
8 or more of the final retail price. This places locally grown  
9 products at a competitive disadvantage relative to imported  
10 goods that benefit from lower production costs and do not  
11 experience the State's general excise tax structure.

12 The legislature believes that these cumulative tax effects  
13 hinder growth in the State's agricultural sector, limit farmers'  
14 ability to reinvest in their operations, constrain expansion of  
15 diversified agriculture, and impede the State's goals for food  
16 security, agricultural resilience, and reduced dependence on  
17 imported food. Removing the GET from Hawaii-grown food at all  
18 stages of the supply chain will reduce production and  
19 distribution costs for farmers and value-added food producers;  
20 improve price competitiveness for locally grown foods;  
21 strengthen rural economies and small farms; reduce grocery costs



1 for households statewide; and advance statewide food security,  
2 resilience, and self-sufficiency goals.

3 Therefore, the purpose of this Act is to phase in a general  
4 excise tax exemption for locally grown food.

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

8 **"§237- Exemption for locally produced food. (a)**

9 Beginning July 1, 2026, there shall be exempted from, and  
10 excluded from the measure of, the taxes imposed by this chapter,  
11 all of the value or gross proceeds arising from:

12 (1) The sale of fresh, unprocessed produce by farmers,  
13 ranchers, or agricultural producers;  
14 (2) The sale of fresh, unprocessed local proteins,  
15 including beef, pork, poultry, seafood, aquaculture  
16 products, eggs, and dairy products, by farmers,  
17 ranchers, fishers, aquaculture operations, or  
18 agricultural producers;  
19 (3) The sale of fresh, unprocessed produce and fresh,  
20 unprocessed local proteins by processors, wholesalers,  
21 and distributors; and



1                   (4) The retail sale for home consumption of fresh,  
2                   unprocessed produce and fresh, unprocessed local  
3                   proteins.

4                   (b) Beginning July 1, 2028, in addition to all products  
5                   exempted from this chapter by subsection (a), there shall be  
6                   exempted from, and excluded from the measure of, the taxes  
7                   imposed by this chapter all the value or gross proceeds arising  
8                   from all locally produced food, including:

9                   (1) All locally produced proteins, including beef, pork,  
10                   poultry, seafood, aquaculture products, eggs, and  
11                   dairy products, regardless of form or level of  
12                   processing;

13                   (2) All locally grown fruits, vegetables, and staple  
14                   crops;

15                   (3) Other foods grown, raised, caught, or produced within  
16                   the State; and

17                   (4) Value-added local food products; provided that the  
18                   majority of agricultural inputs by weight or volume  
19                   are locally grown, raised, or caught.

20                   (c) Taxpayers claiming the exemption shall maintain  
21                   records as required by the department demonstrating compliance.



1           (d) The department, in consultation with the department of  
2 agriculture and biosecurity, shall adopt rules pursuant to  
3 chapter 91 to:

4           (1) Certify producers and qualifying products pursuant to  
5 subsections (a) and (b);  
6           (2) Establish standards for determining the local content  
7 of value-added products;  
8           (3) Implement labeling or disclosure requirements to  
9 ensure consumer transparency; and  
10          (4) Establish procedures to verify wholesale, processing,  
11 and retail compliance.

12          (e) The department may adopt rules pursuant to chapter 91  
13 necessary to effectuate the purposes of this section.

14          (f) For the purposes of this section:

15          "Fresh, unprocessed local proteins" means locally produced  
16 beef, pork, poultry, seafood, aquaculture products, eggs, or  
17 dairy products that:

18           (1) Contain no added salt, sugar, oils, fats, marinades,  
19 brines, or preservatives;  
20           (2) Have not been cooked, cured, smoked, canned, or  
21 otherwise processed; and



1        (3) Are in their raw, whole, or minimally handled state.

2        "Fresh, unprocessed produce" means whole fruits and

3        vegetables grown in Hawaii that contain no added salt, sugar,

4        oils, fats, or other additives and that have not been cooked,

5        canned, pickled, preserved, or subjected to value-added

6        processing. "Fresh, unprocessed produce" shall align with the

7        standards described pursuant to section 141-13.

8        "Locally produced food" means any food or agricultural

9        product grown, raised, caught, produced, or cultivated within

10        the State, including but not limited to fruits, vegetables,

11        staple crops, beef, pork, poultry, seafood, aquaculture

12        products, eggs, and dairy products.

13        "Retail sale for home consumption" means the sale of food

14        intended for off-premises consumption and does not include

15        prepared foods taxed under section 237-13(2)(C) .

16        "Value-added local food product" means a food item

17        primarily composed of locally produced agricultural ingredients

18        and processed, milled, packaged, or otherwise prepared within

19        the State."

20        SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 2026.

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INTRODUCED BY: \_\_\_\_\_



S.B. NO. 2741

**Report Title:**

GET; Locally Produced Food; Exemption

**Description:**

Phases in exemptions of locally produced food from the general excise tax.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

