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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2391, Relating to Taxation

BEFORE THE:

House Committee on Education

DATE: Tuesday, February 10, 2026

TIME: 2:15 p.m.

LOCATION: State Capitol, Room 309

Chair Woodson, Vice-Chair La Chica, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2391 for your consideration.

H.B. 2391 adds a new section to chapter 237, Hawaii Revised Statutes (HRS) creating a general excise tax (GET) holiday for consumers and businesses on the sale of clothing and bags with a per unit price of \$100 or less per item or school supplies, together with shipping and handling on covered items, sold on the weekend prior to students' first day of public school as designated on the department of education official school calendar.

The holiday tax exemption excludes rebates, and layaway sales, rainchecks, the rental of goods and services, and services performed on retail items. The exemption only applies to school supplies and not items that will be resold in any manner.

The GET exemption only applies to businesses operating with a GET license, and the bill specifies that bundled articles cannot be split to qualify for the exemption, and that the retailer is not required to obtain any special license or permit but is required to maintain records of the item sold, the date the item was sold, and its sales price.

The term "Bag" is not defined but rather is noted to include a non-exhaustive list

of examples and a short list of exclusions. "Clothing" is defined as any article of wearing apparel, including footwear, intended to be worn on or about the human body. School supply is defined by an exhaustive list.

The bill takes effect upon its approval.

First, DOTAX recommends that the term bag be defined, either by replacing the word "includes" with "means" or by creating an exhaustive list of items that qualify as a "bag" for the exemption.

Second, DOTAX recommends that the scope of the exemption be clarified since as the bill is written, it is not clear whether the phrase "with a resale price of 100 dollars or less per item" modifies and applies only to bags, or whether it also is intended to apply to clothing.

Third, DOTAX recommends that the provision stated under section 237-____(a) regarding prohibition on resale be clarified (page 2, line 20 through page 3, lines 1 and 2). Section 237-____(a) initially states that clothing, bags, and school supplies are eligible for the GET exemption, but then the prohibition on resale states that "this exemption shall apply to the sale of school supplies only and not to sales of items that will be resold in any manner."

Fourth, DOTAX notes that the provision requiring the seller to pass on the savings from the GET exemption to the purchaser and prohibiting the increase of prices would present enforcement issues. Businesses set prices based on a multitude of variables, and it would be challenging to prove that a business has not passed on the GET tax savings. Additionally, without a time limit on when an increase in price would be prohibited, this provision would be difficult to enforce.

Finally, DOTAX recommends that if the measure is passed, the effective date be amended to January 1, 2027, to allow time to make necessary form, instruction, and system changes, and provide taxpayers with notice.

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

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

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SUBJECT: General Excise Tax; Tax Holiday; School Supplies

BILL NUMBER: HB2391

INTRODUCED BY: ALCOS, GARCIA, GEDEON, HUSSEY, MATSUMOTO, OLDS, PIERICK, SHIMIZU, Kila

EXECUTIVE SUMMARY: Establishes a general excise tax holiday on school supplies, provided that businesses pass the savings on to consumers.

SYNOPSIS: Adds a new section to chapter 237, HRS.

Provides that general excise taxes are not due on the sale of school supplies on the last Friday prior to students' first day of public school, as designated on the department of education official school calendar, beginning at 12:01 a.m., and ending on the following Sunday at 12 midnight, provided that all savings shall be passed on to the purchaser without any increase in price.

Does not apply to (1) rebates, layaway sales, rain checks, or exchanges when the transactions occur before or after the tax holiday period; (2) The rental of goods and services; and (3) Taxable services performed on retail items.

Applies only to businesses with a general excise tax license.

Specifies that articles normally sold as a unit are not to be broken down as individual items to obtain the exemption.

States that shipping and handling charges are included as part of the sales price of an item.

States that the retailer shall not be required to obtain any special license, permit, or other documentation of sales during the exemption holiday period; provided that the retailer's records shall clearly identify the type of item sold, the date the item was sold, and the sales price of the item.

Adds the following definitions:

"Bag" includes handbags, backpacks, fanny packs, and tote bags. The term does not include briefcases, suitcases, and other garment bags.

"Clothing" means any article of wearing apparel, including footwear, intended to be worn on or about the human body. The term shall include but not be limited to cloth and other material used to make school uniforms or other school clothing. Items normally sold in pairs, such as socks and shoes, shall not be separated to qualify for the exemption. The term shall not include

watches, watchbands, jewelry, handkerchiefs, umbrellas, scarves, ties, headbands, or belt buckles.

"School supply" means binders, book bags, calculators, cellophane tape, blackboard chalk, compasses, composition books, crayons, erasers, expandable folders, pocket folders, plastic folders, manila folders, glue, paste, paste sticks, highlighters, index cards, index card boxes, legal pads, lunch boxes, markers, notebooks, loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, construction paper, pencil boxes and other school supply boxes, pencil sharpeners, pencils, pens, protractors, rulers, scissors, correction tape, flash drives, and writing tablets. "School supply" excludes all items not listed in this definition.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: Sales tax holidays have been used in many states, and the Federal Reserve Bank of Chicago has conducted a study concluding that sales during tax holidays, households increase the quantities of clothing and shoes bought by over 49% and 45%, respectively, relative to what they buy on average. [Federal Reserve Bank of Chicago, The Effect of Sales Tax Holidays on Household Consumption Patterns, July 2010](#). [Wikipedia](#) lists the following chart of established holidays:

State (or equivalent)	Items Included	Period	Days
Alabama	clothing, computers, school supplies, books / severe weather preparedness ^[7]	3rd weekend in July / last weekend in February	3
Arkansas	clothing, school supplies, books ^[8]	1st weekend in August	2
Connecticut	clothing	3rd week in August	7
District of Columbia		Repealed ^[9]	
Florida	clothing, school supplies, books	2nd week in August	3
Georgia	clothing, school supplies, computers (suspended in 2017)	1st weekend of August	4
Iowa	clothing	1st weekend of August	2
Louisiana	all TPP – \$2,500, hurricane preparedness items – \$1,500, firearms, ammunition and hunting supplies ^[10]	1st weekend of September	2

<u>Massachusetts</u>	Most items for which the sales tax would normally apply; purchases up to \$2500 included ^[11]	2nd weekend of August	2
<u>Maryland</u>	clothing & footwear ^[12]	August 14–20	7
	<u>Energy Star</u> products	Feb 19–21, 2011	3
<u>Missouri</u>	clothing, school supplies, computers ^[13]	1st weekend in August	3
<u>New Mexico</u>	clothing, school supplies, computers	1st weekend of August	3
<u>North Carolina</u>	Repealed as of July 1, 2014		
<u>Oklahoma</u>	clothing	1st weekend of August	3
<u>South Carolina</u>	clothing, school supplies, computers	1st weekend of August	3
<u>Tennessee</u>	clothing, school supplies, computers ^[14]	Last Friday of July	3
<u>Texas</u>	emergency supplies (e.g. batteries, flashlights) ^[15]	3rd weekend of April	3
	electrical products (e.g. air conditioners, light bulbs) with the <u>Energy Star</u> label ^[16]	Memorial Day weekend in May	3
	water products (e.g. toilets, soaker hoses) with the <u>Water Sense</u> label ^[17]		
	clothing, diapers, backpacks, school supplies ^[18]	2nd weekend of August	3
<u>Virginia</u>	clothing, school supplies, green appliances, hurricane preparedness items	May, August, October	3

We question why books that a school requires a student to purchase do not qualify as school supplies.

Digested: 2/7/2026