THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

S.B. NO. 1130 S.D. 1

A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

SECTION 1. The legislature finds that the rising cost of construction materials, along with supply chain disruptions and potential increases in tariffs, has created a significant barrier to the timely rebuilding of homes in Hawaii. These challenges are compounded by the skyrocketing price of construction--which now approaches $1,000 per square foot--placing an undue financial burden on homeowners attempting to rebuild.

The legislature acknowledges the critical need to alleviate the financial strain on homeowners and accelerate the rebuilding process in light of recent catastrophic events, including the devastating Los Angeles fires in January 2025. These disasters highlight the urgency of ensuring that rebuilding efforts proceed unimpeded, especially as global competition for construction materials intensifies in the coming years. Failure to act risks compounding the financial hardships faced by

residents and could result in prolonged displacement and community destabilization.

The legislature recognizes the unique and urgent rebuilding challenges faced by residents in federally declared disaster areas within the State that were in existence as of August 8, 2023. These areas, severely impacted by disasters, require expedited and cost-effective rebuilding efforts to restore affected communities. To address these challenges, it is critical to provide financial relief to homeowners and businesses rebuilding in these federally declared disaster areas.

Accordingly, the purpose of this Act is to exempt purchases of construction rebuilding materials from the general excise tax, thereby alleviating financial hardships, ensuring community resilience, and supporting the timely reconstruction of affected properties.

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 for disaster construction rebuilding materials.** (a) There shall be exempted from, and excluded from

the measures of, the tax imposed by this chapter the sales, and the gross proceeds of all sales, of construction rebuilding materials purchased for the rebuilding or reconstruction of residential or commercial properties located in federally declared disaster areas in this State; provided that this exemption shall apply only to construction rebuilding materials sold and purchased between July 1, 2025, and December 31, 2028.

(b) This section shall not apply to:

(1) Construction materials used for new development or construction unrelated to rebuilding or reconstruction in federally declared disaster areas; or

(2) Construction materials purchased for use outside of the State;

provided that where construction rebuilding materials are used partly for rebuilding or reconstruction and partly for other purposes, the proportion used for each purpose shall be determined by the department upon the basis of value.

(c) A third party shall issue the certification for projects qualifying for the exemption established by this section.

(d) For the purposes of this section:

"Construction rebuilding materials" means lumber, steel, concrete, roofing materials, plumbing fixtures, electrical systems, and other materials commonly used in residential or commercial construction.

"Federally declared disaster area" means any area in the State for which a federal disaster declaration has been made pursuant to federal law; provided that the disaster declaration existed as of August 8, 2023."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect on January 1, 2026, and shall be repealed on December 31, 2028.

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Report Title:
GET; Exemption; Construction Rebuilding Materials; Reconstruction; Disaster Recovery; Federally Declared Disaster Areas; Third Party Certification Issuance

Description:
Exempts from the state general excise tax the sales and gross proceeds from sales of construction rebuilding materials for residential and commercial properties in federally declared disaster areas. Applies only to rebuilding materials purchased between 7/1/2025 and 12/31/2028. Requires a third party to issue the certification for projects qualifying for the exemption for disaster construction rebuilding materials. Sunsets on 12/31/2028. Effective 1/1/2026. (SD1)

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