
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 the State 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 GET 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 all agricultural inputs
18 will reduce production and distribution costs for all farmers
19 and value-added food producers; improve price competitiveness
20 for locally grown foods; strengthen rural economies and small
21 farms; reduce grocery costs for households statewide; and



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

3 Therefore, the purpose of this Act is to provide a general
4 excise tax exemption for agricultural inputs used in commercial
5 agricultural production.

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

9 "§237- Exemption for agricultural inputs. (a)

10 Beginning July 1, 2026, there shall be exempted from, and
11 excluded from the measure of, the taxes imposed by this chapter,
12 all of the value or gross proceeds arising from any agricultural
13 inputs used in commercial agricultural production.

14 (b) The department may adopt rules pursuant to chapter 91
15 necessary to effectuate the purposes of this section.

16 (c) For the purposes of this section, "agricultural
17 inputs" means any action, cost, or material, or other input used
18 to produce an agricultural commodity, including but not limited
19 to chemicals, feed, fertilizer, fuel, seeds, plants, supplies,
20 equipment parts, and other inputs."

21 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 2050.



Report Title:

GET; Agricultural Inputs; Exemption

Description:

Exempts agricultural inputs from the general excise tax.
Effective 7/1/2050. (SD1)

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