

Honolulu, Hawaii

**FEB 20 2026**RE: S.B. No. 2741  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2026  
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 2741 entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to phase in exemptions of locally produced food from the general excise tax.

Your Committee received testimony in support of this measure from the Department of Agriculture and Biosecurity; Hawai'i Farm Bureau; Hawai'i Farmers Union United; Hawaii Food Industry Association; Hawaii Cattlemen's Council, Inc.; Hawai'i Food Bank; Hawai'i Food+ Policy; and two individuals.

Your Committee received comments on this measure from the Department of the Attorney General, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that farmers and ranchers throughout the State face extraordinarily high costs, including costs associated with inputs, land, transportation, energy, and labor. The multistep process for local agricultural production has led to the State's general excise tax being applied at each producer, processor, distributor, and retail level, a burden that imported products are capable of avoiding by completing the production and processing out-of-state. Your Committee further finds that



lowering food costs for food insecure households throughout the State and assisting local producers is essential to increasing economic stability in the State. By reducing pyramided general excise tax burdens agricultural inputs will strengthen the State's food security and encourage value-added production.

Your Committee acknowledges the concerns raised in testimony by multiple testifiers that economic protectionism may conflict with the Commerce Clause of the United States Constitution due to excluding out-of-state produce and food from the general excise tax exemption. Therefore, amendments to this measure are necessary to address this concern.

Your Committee has amended this measure by:

- (1) Deleting language that would have phased in exemptions for locally produced food from the general excise tax;
- (2) Inserting language that exempts all agricultural inputs used in commercial agricultural production from the general excise tax;
- (3) Amending section 1 to reflect its amended purpose;
- (4) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Agriculture and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2741, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2741, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on  
behalf of the members of the  
Committee on Agriculture and  
Environment,

  
MIKE GABBARD, Chair



