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STATE OF HAWAII
DEPARTMENT OF TAXATION

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2391, H.D.1, Relating to Taxation

BEFORE THE:

House Committee on Economic Development & Technology

DATE: Wednesday, February 18, 2026

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2391, H.D.1, for your consideration.

H.B. 2391, H.D.1, 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 retail sales price of \$100 or less per item or school supplies, and shipping and handling on covered items, which are sold on the weekend prior to students' first day of public school as designated on the department of education official school calendar. The bill requires the seller to pass all savings generated by the GET exemption on to the purchases without any increase in price.

The holiday tax exemption excludes rebates, and layaway sales, rainchecks, the rental of goods and services, and services performed on retail items, as well as the resale of items.

The GET exemption only applies to businesses operating with a GET license, bundled articles cannot be split to qualify for the exemption, and 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 the 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. The term “School supply” also has a non-exhaustive list of examples.

The bill has a defective effective date of July 1, 3000.

First, DOTAX recommends that the terms “bag” and “school supply” be specifically defined, either by replacing the words “includes but is not limited to” with “means” or by creating an exhaustive list of items that qualify as a “bag” or “school supply” in order to provide clarity for taxpayers, and for effective administration of the exemption, what items will qualify 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 notes that section 237-____(b)(3) would make the exemption unavailable for the “resale of items.” As currently drafted, this provision may be interpreted as limiting the exemption to only sellers who manufacture their own merchandise. If the intent is to prohibit purchasers from reselling items bought during the tax holiday, DOTAX recommends that the provision be amended for clarity, but notes that enforcement of a resale provision will be difficult to track and administer.

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 will present enforcement issues. Businesses determine their pricing using a wide range of factors, making it difficult to demonstrate that a company failed to pass along GET tax savings. Moreover, without a defined timeframe restricting when price increases would be disallowed, enforcing this provision would be challenging.

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 Holiday for School Supplies

BILL NUMBER: HB2391 HD1

INTRODUCED BY: EDN

EXECUTIVE SUMMARY: Establishes a general excise tax holiday on school supplies. Requires businesses to pass the savings from the general excise tax holiday to consumers. Effective 7/1/3000. (HD1)

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 but is not limited to handbags, backpacks, fanny packs, and tote bags. "Bag" 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. "Clothing" includes but is not 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. "Clothing" does not include watches, watchbands, jewelry, handkerchiefs, umbrellas, scarves, ties, headbands, or belt buckles.

"School supply" includes but is not limited to 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.

EFFECTIVE DATE: July 1, 3000.

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 tax 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

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

Books that a school requires a student to purchase does not appear on the list of items that qualify as school supplies. However, in this version of the bill the definition of “school supplies” is a non-exclusive list, inviting future debate over what items qualify for the exemption.

We agree with the Department of Taxation that the part of the law stating “all savings generated by this section shall be passed on by the seller to the purchaser without any increase in price” will be difficult or impossible to enforce in practice. We recommend looking to the statutes of other states with tax holidays for examples of wording.

Re: HB 2391 HD1
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Digested: 2/16/2026

HB-2391-HD-1

Submitted on: 2/13/2026 1:38:59 PM

Testimony for ECD on 2/18/2026 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Susan Duffy	Individual	Support	Written Testimony Only

Comments:

I **strongly support** HB2391, which establishes a limited general excise tax (GET) holiday for school supplies, clothing, and bags purchased prior to the start of the school year. Hawai‘i families are already burdened by one of the highest costs of living in the nation. With back-to-school expenses averaging over \$800 per child nationally—and often higher in our island state—this measure provides meaningful, targeted relief at the exact moment families need it most.

Unlike broad tax cuts, this bill is focused, temporary, and practical. It applies only to essential school-related items, caps clothing purchases at \$100 per item, and clearly defines eligible products. It also ensures that savings must be passed directly to consumers, preventing price manipulation. By limiting the exemption to a short weekend tied to the Department of Education school calendar, the impact on state revenue is controlled while still providing real relief to working families.

Other states have successfully implemented similar tax holidays, recognizing that back-to-school costs are not discretionary purchases—they are necessities. Hawai‘i’s general excise tax structure uniquely taxes nearly every transaction, which means families pay tax even on basic school supplies. This bill acknowledges that reality and offers a modest but meaningful correction.

At a time when inflation and housing costs continue to strain household budgets, HB2391 is a common-sense step that keeps more money in local families’ pockets and supports keiki as they prepare for a successful school year.

I respectfully urge your **support of HB2391**.

HB-2391-HD-1

Submitted on: 2/13/2026 2:50:06 PM

Testimony for ECD on 2/18/2026 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Terri Yoshinaga	Individual	Support	Written Testimony Only

Comments:

I support this bill.

HB-2391-HD-1

Submitted on: 2/14/2026 5:08:50 PM

Testimony for ECD on 2/18/2026 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Lanette Bourg	Individual	Support	Written Testimony Only

Comments:

I support HB2391

HB-2391-HD-1

Submitted on: 2/17/2026 11:05:45 AM

Testimony for ECD on 2/18/2026 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Mary Smart	Individual	Support	Written Testimony Only

Comments:

I support HB2391 HD1.

As stated in the bill, Hawaii residents are over taxed. This bill allowing a temporary suspension of the GET is a start. Next, our legislators need to eliminate many of the the taxes that are overburdening our residents during every day of the year.

Vote for HB2391 HD1.

HB-2391-HD-1

Submitted on: 2/17/2026 2:40:00 PM

Testimony for ECD on 2/18/2026 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Peggy Regentine	Individual	Support	Written Testimony Only

Comments:

I support HB2391 to help with the cost of educational supplies.