

JOSH GREEN M.D.
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STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

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GARY S. SUGANUMA
DIRECTOR

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DEPUTY DIRECTOR

**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 Finance

DATE: Tuesday, March 3, 2026

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 308

Chair Todd, Vice-Chair Takenouchi, 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, including 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 purchaser without any increase in price.

The holiday tax exemption excludes rebates, 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.

Fifth, DOTAX recommends that the effective date of the bill be amended to January 1, 2027, to allow time to make necessary form, instruction, and system changes, and provide taxpayers with notice.

DOTAX estimates a revenue loss as follows:

General Fund Impact (\$millions)

FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
-\$1.1	-\$1.2	-\$1.2	-\$1.3	-\$1.3	-\$1.3

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

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

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
Page 4

Digested: 2/16/2026

HB-2391-HD-1

Submitted on: 2/27/2026 8:35:57 PM

Testimony for FIN on 3/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Sheila Medeiros	Individual	Support	Remotely Via Zoom

Comments:

Testimony in Support of H.B. No. 2391 (HD1)
Relating to Taxation – General Excise Tax Holiday for School Supplies

Submitted by: Sheila Medeiros

Date: February 27, 2026

Position: Strong Support

Aloha Chair and Members of the Committee,

I am Sheila Medeiros, a resident of Kapolei, Hawaii. I strongly support H.B. 2391 (HD1), which creates a temporary general excise tax holiday on essential school supplies, clothing (up to \$100 per item), and bags in the days surrounding the start of the public school year.

Hawaii families face one of the nation’s highest costs of living, compounded by our broad-based general excise tax. National surveys show families spend an average of about \$850–\$860 per K-12 student on back-to-school items (including supplies, clothing, shoes, and electronics), though some estimates are lower around \$570–\$886 depending on the source and categories. In Hawaii’s high-cost environment, this strains working families, single parents, and those with multiple children.

Nearly 20 states offer annual back-to-school sales tax holidays (e.g., Alabama, Florida, Texas, Georgia, North Carolina, Connecticut, Iowa, Maryland, and others), helping families save, boosting retail, and reducing start-of-year stress. This bill adapts the idea to Hawaii’s GET system, requiring businesses to pass savings directly to consumers without price increases.

Key strengths include:

- A brief window (last Friday before school starts through the following Sunday) timed for peak shopping.
- Clear exemptions for essentials like notebooks, binders, pencils, backpacks, crayons, calculators, and clothing—excluding non-essentials like jewelry or suitcases.
- Protections against abuse (no rebates, rentals, resales, or unbundled items).
- No special retailer licensing needed, with simple record-keeping.

This provides targeted, temporary relief without long-term revenue impact or added complexity. It supports families and local businesses during a critical time.

Please pass H.B. 2391 (HD1) forward. Our keiki deserve help starting school strong.

Mahalo for your consideration. I am available for questions.

Sincerely,
Sheila Medeiros
Kapolei, Hawaii

HB-2391-HD-1

Submitted on: 2/27/2026 9:12:29 PM

Testimony for FIN on 3/3/2026 2:00:00 PM

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

Comments:

Strongly support this bill which offers practical, targeted relief.

Hawai‘i’s General Excise Tax applies broadly, even to essential items. While small in percentage, the cumulative burden is significant—especially for working families already stretched by housing, food, and transportation costs.

A temporary GET holiday on school supplies:

- Allows families to keep more of their hard-earned money.
- Encourages local shopping.
- Demonstrates that the Legislature understands seasonal financial pressures.
- Provides relief without permanently altering the tax structure.

Importantly, this measure is narrow and responsible. It is limited to a short window before the school year begins, applies only to defined items, and requires that savings be passed directly to consumers.

Many other states have successfully implemented similar tax holidays. Hawai‘i can tailor this approach to our unique tax system while maintaining fiscal responsibility.

At its heart, this bill is about supporting education and supporting families. When we reduce barriers to preparing children for school, we invest in their confidence, readiness, and success.

Helping parents afford basic school necessities is not partisan. It is practical. It is compassionate. And it is good public policy.

Strongly support.

HB-2391-HD-1

Submitted on: 2/27/2026 10:20:55 PM

Testimony for FIN on 3/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Linda Miyata	Individual	Support	Written Testimony Only

Comments:

I respectfully support HB 2391. Please pass the savings onto the consumer.

Mahalo,

Linda

HB-2391-HD-1

Submitted on: 2/28/2026 9:59:27 AM

Testimony for FIN on 3/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Alice Abellanida	Individual	Support	Written Testimony Only

Comments:

I urge you to support this bill to help teachers.

HB-2391-HD-1

Submitted on: 2/28/2026 12:31:45 PM

Testimony for FIN on 3/3/2026 2:00:00 PM

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

Comments:

I support this bill.

HB-2391-HD-1

Submitted on: 2/28/2026 2:11:21 PM

Testimony for FIN on 3/3/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
David Ball	Individual	Support	Written Testimony Only

Comments:

Dear Chair Todd and Vice-Chair Takenouchi,

I am writing in strong support of this legislation.

With aloha,

David Ball

Waialae-Kahala

HB-2391-HD-1

Submitted on: 3/2/2026 2:40:53 PM

Testimony for FIN on 3/3/2026 2:00:00 PM

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

Comments:

I support this bill.