

Honolulu, Hawaii

Feb 17, 2006

RE: H.B. No. 3124
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Health, to which was referred H.B. No. 3124
entitled:

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

begs leave to report as follows:

The purpose of this measure is to exempt from the general
excise tax, amounts received from the purchase of foods that
qualify as supplemental food under the Women, Infant, and Children
food program.

The Department of Taxation submitted comments on the measure.

Your Committee finds that the Women, Infant, and Children
food program supports low-income women and children who are
nutritionally at risk, by providing foods to supplement diets,
information on healthy eating, support for women who breastfeed,
and referrals to health care.

Your Committee also finds that the success of the Women,
Infant, and Children food program, with respect to its recommended
foods, should be expanded to assist all residents of the State by
way of the general excise tax exemption provided by this measure.
Your Committee, however, is concerned that this recommended food
list does not reflect the ethnic diversity of the State and the
many nutritious and beneficial foods that are exclusive to the
ethnic groups that live in Hawaii. Therefore, your Committee
recommends that the scope of the recommended food list be



subsequently expanded and refined to recognize and benefit all of the people and ethnicities of the State.

Your Committee is also concerned with the comments made by the Department of Taxation with respect to problems that will be faced by retail food establishments administering the general excise tax exemption. The Department apparently believes that the tax exemption will cause untenable problems at the checkout line for computer cash registers, as well as cashiers. Accordingly, your Committee suggests that, instead of calculating the four per cent exemption at the cash register, the exemption should be calculated into the actual price of a food item, such that no further calculation would be necessary at the cash register.

Your Committee strongly believes that providing a healthy and well-balanced nutritional diet to Hawaii's residents is of primary importance and is essential to leading a healthy and productive life.

Your Committee has amended the measure by:

- (1) Deleting the word "supplemental" at page 6, line 1; and
- (2) Providing that the measure will apply to gross receipts collected, rather than taxable years beginning, after December 31, 2005.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3124, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 3124, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Health,



DENNIS A. ARAKAKI, Chair



