

JAN 16 2008

A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Hawaii taxpayers are
2 some of the most overburdened taxpayers in the nation. The
3 legislature further finds that providing Hawaii consumers with a
4 general excise tax holiday on the purchase of clothing and
5 footwear with a sale price of one hundred dollars or less per
6 item will stimulate retail sales and give a boost to the State's
7 economy.

8 The tax holiday is established in August of each year in
9 order to coincide with family shopping for their children's
10 upcoming school year. However, because the general excise tax
11 is imposed on the retailer rather than the consumer, it is
12 imperative that the tax savings be passed on to the consumer.

13 Tax holidays have been successfully implemented across the
14 United States. Texas lifted its 6.25 per cent state sales tax--
15 along with all local sales taxes--on clothing and footwear under
16 \$100. Thirteen other states have also established similar
17 programs.



1 Tax holidays have been found to create sales, not merely
2 displace sales from a different time. Many Texas retailers
3 reported seeing crowds usually seen only during the Christmas
4 selling season. To accommodate all of the shoppers, stores in
5 Texas adopted extended hours, added staff, and offered special
6 promotions usually reserved for the Christmas season. While
7 depressed sales might be expected after a tax holiday, retailers
8 did not report fewer sales after a sales spike. The legislature
9 finds that a similar program in Hawaii would help both consumers
10 and retailers alike.

11 The purpose of this Act is to stimulate the economy in
12 Hawaii by giving consumers a holiday from the general excise tax
13 on clothing and footwear that costs one hundred dollars or less
14 per item provided that the tax savings is passed onto the
15 consumer.

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

19 "§237- Annual general excise tax holiday. (a)
20 Notwithstanding any law to the contrary, taxes imposed by this
21 chapter shall not be levied, assessed, or collected on the
22 retail sale of clothing or footwear with the sales price of one



1 hundred dollars or less per item if sold between 12:01 A.M. on
2 the first Friday of August and 11:59 P.M. the following Sunday.

3 (b) The exemption provided by this section shall not apply
4 to:

5 (1) Accessories, including jewelry, handbags, purses,
6 briefcases, luggage, umbrellas, wallets, and watches;

7 (2) The rental of clothing;

8 (3) Taxable services performed on the clothing, such as
9 repair, remodeling, maintenance services, and cleaning
10 or laundry services;

11 (4) Purchases of items used to make or repair clothing,
12 including fabric, thread, yarn, buttons, snaps, hooks,
13 and zippers;

14 (5) Rebates, layaway sales, rain checks, or exchanges when
15 the exchanges occur before or after the tax holiday
16 period; or

17 (6) Items purchased via the internet, telephone, or mail-
18 order.

19 (c) Articles that are normally sold as a unit shall
20 continue to be sold in that manner and shall be priced
21 separately and sold as individual items to obtain the exemption.



1 (d) The retailer shall not be required to obtain any
 2 special license, permit, or other documentation on sales of
 3 eligible items during the exemption holiday period. However,
 4 the retailer's records shall clearly identify the type of item
 5 sold, the date the item was sold, and the sales price of the
 6 item.

7 (e) No special reporting procedures shall be necessary to
 8 report exempt sales made during the exemption holiday period.
 9 Sales shall be reported as currently required by law. The
 10 department may further clarify the items that are exempt under
 11 this section by rules adopted pursuant to chapter 91."

12 SECTION 3. The director of taxation shall report to the
 13 legislature not later than twenty days prior to the convening of
 14 the 2009 Regular Session on the costs of the tax holiday
 15 provided under this Act.

16 SECTION 4. New statutory material is underscored.

17 SECTION 5. This Act shall take effect upon its approval.

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Report Title:

General Excise Tax; Holiday

Description:

Establishes a general excise tax holiday on consumer purchases of clothing or footwear with the sales price of one hundred dollars or less per item if sold between 12:01 A.M. on the first Friday of August and 11:59 P.M. the following Sunday.

