

STAND. COM. REP. NO.

2195

Honolulu, Hawaii

FEB 12 2008

RE: S.B. No. 2030
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 2030 entitled:

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

begs leave to report as follows:

The purpose of this measure is to establish a general excise tax holiday on the purchase of food and over-the-counter drugs for one day in 2008.

Testimony in support of this measure was submitted by the Department of Taxation, the Consumer Healthcare Products Association, and the Retail Merchants of Hawaii. Comments on this measure were submitted by the Tax Foundation of Hawaii.

Your Committee finds that the general excise tax holiday will help to alleviate the tax burden on taxpayers and also stimulate retail sales that would result in a boost to the State's economy.

Accordingly, it is the intent of your Committee to support a one day general excise tax holiday on purchases of food and over-the-counter drugs.

Your Committee received a fiscal impact statement from the Department of Taxation that this measure, as introduced, would result in a revenue loss to the State of approximately \$407,000. Their methodology is as follows:



Based upon disposable personal income levels and a 2006 Annual Visitor Research Report, it is estimated that food consumption in Hawaii will be approximately \$3,515,300,000 and that over-the-counter drug consumption will be approximately \$204,700,000 in fiscal year 2009. Thus, total purchases of food and over-the-counter amounts to \$3,720,000,000. Dividing that amount by one-three hundred sixty-fifth represents one day out of the calendar year. The result is total purchases on any given day of \$10,191,781. Multiplying that amount by the general excise tax rate of four per cent, the expected revenue loss to the State from a one day general excise tax holiday would be approximately \$407,671.

Your Committee has amended this measure by adding that all savings shall be passed on by the seller to the purchaser.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2030, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2030, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,


CAROL FUKUNAGA, Chair



