

**DEPARTMENT OF TAXATION
RESEARCH DIVISION • REVENUE IMPACTS ANALYSIS**

**S.B.2030, RELATING TO THE GENERAL EXCISE TAX
January 31, 2008**

PROPOSAL: This bill establishes a general excise tax holiday on purchases of food and over-the-counter drug. The one-day tax holiday is held on the 1st Saturday or Sunday in December 2008. Food excludes alcoholic beverages and meals purchased in a restaurant or other establishment where meals are prepared for human consumption. Over-the-counter drug means any drug that is not a "prescription drug". The exemption applies to retail sales only. The Director of Taxation should report to the legislature not later than 20 days prior to the convening of the regular session of 2009 on the costs of the tax holiday under this proposal. The proposal takes effect upon its approval.

REVENUE IMPACT: Revenue loss is estimated at \$407,000 (food = \$385,000 and drug = \$22,000) in FY 2009.

METHODOLOGY: Based on the disposable personal income, relative importance of components in Honolulu CPI-U and Annual Visitor Research Report 2006, we estimated food purchased for off-premise consumption to be \$3,515.3 million in FY 2009. Based on the Health Expenditures by State Provider, Centers for Medicare and Medicaid Services, we estimated non-prescription drug consumption to be \$204.7 million in FY 2009.

DISCUSSION: