
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, in light of the
2 slowing economy, there has been a decrease in consumer spending
3 due to the rising costs of goods as well as a change in consumer
4 behavior that favors saving more than spending. The legislature
5 further finds that more than a dozen states have suspended their
6 sales taxes on certain products, such as clothing, computers,
7 and school supplies, so that the tax cuts will stimulate the
8 economy and more than offset the loss of tax revenues. The
9 purpose of this Act is to, for a very limited time each year,
10 reduce the cost of certain consumer items for Hawaii residents
11 as well as to invigorate sales for retailers in the State.

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

15 "§237- Annual exemption; amounts not taxable. (a)

16 Definitions. As used in this section:

17 "Book" means a set of bound printed sheets published in a
18 hard or soft cover volume that has an identifiable international



1 standard book number. The term does not include magazines,
2 newspapers, periodicals, or any other document printed or
3 offered for sale in non-bound form.

4 "Clothing" means any item of apparel intended for human
5 wear and includes footwear.

6 "Computer" means a laptop, desktop, or tower computer
7 system that consists of a central processing unit, random access
8 memory, a storage drive, a display monitor, a keyboard, and
9 devices designed for use in conjunction with a computer, such as
10 a disk drive, memory module, compact disk drive, daughterboard,
11 digitalizer, microphone, modem, motherboard, mouse, multimedia
12 speaker, printer, scanner, single-user hardware, single-user
13 operating system, soundcard, or video card.

14 "Computer software" means a set of coded instructions that:

15 (1) Is designed to cause a computer or automatic data
16 processing equipment to perform a certain task;

17 (2) Is readily available for retail purchase by the
18 general public either in physical form at a retail
19 location or as a digital download over the Internet;

20 and



1 (3) Does not consist of special customized programming
2 specifically written for or ordered by the end user
3 customer.

4 "Computer supplies" means:

- 5 (1) Computer storage media, including diskettes and
6 compact disks;
- 7 (2) Handheld electronic schedulers, except devices that
8 are cellular telephones;
- 9 (3) Personal digital assistants, except devices that are
10 cellular telephones;
- 11 (4) Computer printers; and
- 12 (5) Printer supplies for computers, including printer
13 paper and ink.

14 "School supplies" means items normally used by students in
15 a course of study in primary or secondary schools or
16 institutions of higher learning and include but are not limited
17 to:

- 18 (1) Backpacks;
- 19 (2) Binders;
- 20 (3) Book bags;
- 21 (4) Calculators;
- 22 (5) Cellophane tape;



- 1 (6) Chalk;
- 2 (7) Compasses;
- 3 (8) Composition books and notebooks;
- 4 (9) Crayons;
- 5 (10) Erasers;
- 6 (11) Folders -- expandable, pocket, plastic, or manila;
- 7 (12) Glue or paste;
- 8 (13) Highlighters;
- 9 (14) Index cards and boxes;
- 10 (15) Legal pads;
- 11 (16) Lunch boxes;
- 12 (17) Markers;
- 13 (18) Paper, including loose leaf ruled notebook, copy,
14 graph, tracing, manila, colored, or construction paper
15 or poster board;
- 16 (19) Pens, pencils, pencil boxes, and pencil sharpeners;
- 17 (20) Protractors;
- 18 (21) Rulers;
- 19 (22) Scissors;
- 20 (23) School or supply boxes; and
- 21 (24) Writing tablets.



1 The term shall not include watches, radios, compact disc
2 players, headphones, sporting equipment, copiers or other office
3 equipment, or fixtures.

4 (b) For the taxable year beginning after December 31,
5 2009, and thereafter, there shall be an annual exemption from
6 the application of this chapter on amounts received from retail
7 sales of the items listed in this subsection that are transacted
8 over a period of five days beginning on Wednesday of the last
9 full week in July and ending on the following Sunday, regardless
10 of whether the Sunday falls in July or August:

- 11 (1) Books sold for less than \$50 per book;
- 12 (2) Clothing items sold for less than \$100 per item;
- 13 (3) Computers, computer software, and computer supplies
14 sold for less than a total of \$1,500; and
- 15 (4) School supplies sold for less than \$15 per item.

16 (c) Amounts received from the retail sale of computer
17 systems, devices, software, and peripherals designed or intended
18 primarily for commercial use and furniture shall not be exempt
19 from this chapter.

20 (d) During the period of the annual exemption as described
21 in subsection (b):



- 1 (1) Items normally sold in sets of two or more shall not
2 be separated to qualify for the exemption;
- 3 (2) Articles normally sold as a unit shall not be
4 separated to qualify for the exemption;
- 5 (3) If exempt items are sold together with taxable
6 merchandise as a set or single unit, the full price
7 shall be subject to the general excise tax, unless the
8 price of the exempt item is separately stated;
- 9 (4) The total price of items advertised as "buy one, get
10 one free," or "buy one, get one for a reduced price,"
11 shall not be averaged to qualify both items for the
12 exemption; and
- 13 (5) A retailer may offer discounts to reduce the retail
14 price of an item to permit the item to qualify for the
15 exemption.
- 16 (e) With regard to the exemption from the general excise
17 tax under this section, a retailer's records shall clearly
18 identify the type of item sold, the date the item was sold, and
19 the sales price of the item."

20 SECTION 3. New statutory material is underscored.

21 SECTION 4. This Act shall take effect on July 1, 2112, and
22 apply to taxable years beginning after December 31, 2112.



Report Title:

General Excise Tax; Annual Exemption; School Supplies and Computers

Description:

Creates annual exemption from general excise tax on purchase of: school supplies of less than \$15 per item; computers, computer software, and computer supplies of less than \$1,500 per purchase; clothing of less than \$100 per item; and books of less than \$50 per item, made beginning on Wednesday of the last full week of July and ending in 5 days on the following Sunday.

(HD1)

