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## A BILL FOR AN ACT

RELATING TO A GENERAL EXCISE TAX EXEMPTION.

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

1           SECTION 1. The purpose of this Act is to give both  
2 consumers and businesses a break from the high cost of living in  
3 Hawaii by establishing an annual general excise tax holiday not  
4 to exceed seven days. For years, consumers and businesses have  
5 suffered under the weight of the general excise tax, this most  
6 regressive tax.

7           For a period not to exceed seven days each year, sales of  
8 items under \$100 would be exempt from the normal retail or  
9 general excise tax of four per cent. However, because the tax  
10 is imposed on the seller rather than the buyer, the only  
11 requirement is that the tax savings be passed on to the  
12 consumer.

13           Tax holidays have been used successfully across the United  
14 States. For example, Texas lifted its 6.25 per cent state sales  
15 tax, along with all local sales taxes, on clothing and footwear  
16 under \$100. New York and Florida already have similar programs.  
17 Missouri, Iowa, North Carolina, South Carolina, Massachusetts,  
18 and Connecticut have also adopted this type of tax relief.



1 More importantly, tax holidays have been found to create  
 2 sales. Many Texas retailers have reported seeing crowds usually  
 3 seen only during the Christmas selling season. To accommodate  
 4 all of the shoppers, stores in Texas adopted extended hours,  
 5 added staff, and offered special promotions usually reserved for  
 6 holidays. While depressed sales might be expected after a tax  
 7 holiday, retailers have not noticed fewer sales after a sales  
 8 spike.

9 While Hawaii's pyramiding excise tax has retarded economic  
 10 growth, affected retail sales and profits, and dampened job  
 11 creation, a tax holiday would have the opposite effect by  
 12 stimulating retail sales and giving a boost to our recovering  
 13 economy. A general excise tax holiday in Hawaii would help both  
 14 consumers and retailers alike.

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

18 "§237- Annual tax holiday. (a) Notwithstanding any  
 19 law to the contrary, taxes under this chapter shall not be due  
 20 on the sale of goods if the sales price of the article is less  
 21 than \$100, and the sale takes place during the period beginning  
 22 at 12:01 a.m. on \_\_\_\_\_ and ending at

1 12 midnight ; provided that all  
2 savings generated by this section shall be passed on by the  
3 seller to the purchaser. This exemption shall apply to retail  
4 sales only and not to sales on items that will be resold in any  
5 manner.

6 (b) The exemption provided in this section shall apply to  
7 clothing and school supplies with retail sales prices less than  
8 \$100, regardless of how many items are sold on the same invoice  
9 to a customer. The exemption provided in this section shall  
10 also apply to personal computers, provided that the exemption  
11 shall apply to personal computers with retail sales prices less  
12 than \$2,000.

13 (c) The exemption provided in this section shall not apply  
14 to:

- 15 (1) The first \$99.99 of an article of clothing or  
16 school supplies selling for more than \$99.99;  
17 (2) The first \$2,000 of a personal computer selling  
18 for more than \$2,000;  
19 (3) The rental of goods and services;  
20 (4) Taxable services performed on retail items;



1           (5) Rebates, layaway sales, rain checks, or exchanges  
2           when the exchanges occur before or after the tax  
3           holiday period; or

4           (6) Mail, telephone, e-mail, or internet orders.

5           (d) Articles that are normally sold as a unit shall  
6           continue to be sold in that manner and shall not be priced  
7           separately and sold as individual items to obtain the exemption.

8           (e) A retailer may offer discounts to reduce the sales  
9           price of an item. If the discount reduces the sales price of  
10           clothing or school supplies to \$99.99 or less, the item shall  
11           qualify for the exemption. If the discount reduces the sales  
12           price of a personal computer to \$2,000 or less, the item shall  
13           qualify for the exemption.

14           (f) The total price of items advertised as "buy one, get  
15           one free," or "buy one, get one for a reduced price," shall not  
16           be averaged for both items to qualify for the exemption.

17           (g) The retailer shall not be required to obtain any  
18           special license, permit, or other documentation on sales of  
19           eligible items during the exemption holiday period; provided  
20           that the retailer's records shall clearly identify the type of  
21           item sold, the date the item was sold, and the sales price of  
22           the item.



1        (h) For purposes of this section:

2        "Clothing" means any article of wearing apparel, including  
3 footwear, intended to be worn on or about the human body. The  
4 term shall include but not be limited to cloth and other  
5 material used to make school uniforms or other school clothing.  
6 Items normally sold in pairs shall not be separated to qualify  
7 for the exemption. The term shall not include watches,  
8 watchbands, jewelry, handbags, handkerchiefs, umbrellas,  
9 scarves, ties, headbands, or belt buckles.

10       "Personal computers" means a laptop, desktop, or tower  
11 computer system which consists of a central processing unit,  
12 random access memory, a storage drive, a display monitor, and a  
13 keyboard and devices designed for use in conjunction with a  
14 personal computer, such as a disk drive, memory module, compact  
15 disk drive, daughterboard, digitalizer, microphone, modem,  
16 motherboard, mouse, multimedia speaker, printer, scanner,  
17 single-user hardware, single-user operating system, soundcard,  
18 or video card.

19       "School supplies" means any item normally used by students  
20 in a standard classroom for educational purposes, including but  
21 not limited to, textbooks, notebooks, paper, writing  
22 instruments, crayons, art supplies, rulers, book bags,



1 backpacks, handheld calculators, chalk, maps, and globes. The  
 2 term shall not include watches, radios, CD players, headphones,  
 3 sporting equipment, portable or desktop telephones, copiers or  
 4 other office equipment, furniture, or fixtures. School supplies  
 5 shall also include computer software having a taxable value of  
 6 two hundred dollars or less."

7 SECTION 3. New statutory material is underscored.

8 SECTION 4. This Act shall take effect on July 1, 2009.

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INTRODUCED BY:

Alvin S. ...  
K. ...  
Tom Brower

[Signature]  
Ken Wood  
Barbara Mammitt  
Karen Alvana  
[Signature]  
[Signature]  
[Signature]

**Report Title:**

General excise tax; holiday

**Description:**

Establishes an annual general excise tax holiday for consumers and businesses that sell clothing and school supplies with a retail price under \$100, and personal computers with a retail price under \$2,000, on condition that businesses pass savings on to consumers.

