

JAN 22 2010

S.B. NO. 2477

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## 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's current tax  
2 structure is regressive, with lower and middle income taxpayers  
3 shouldering the major portion of the tax burden and those same  
4 taxpayers having to pay a higher proportion of their disposable  
5 income on taxes that are applied evenly across the board to all  
6 taxpayers at a constant tax rate. While there have been  
7 numerous studies and proposals suggesting ways to fairly and  
8 equitably shift the majority of the tax burden to those that can  
9 afford to pay more, little has been accomplished.

10           Therefore, in an effort to provide all taxpayers,  
11 especially the lower and middle income taxpayers, with some form  
12 of tax relief, this Act aims to establish general excise tax  
13 exemptions on certain necessities that all taxpayers regularly  
14 purchase and consume.

15           Tax reform in the form of general excise tax exemptions on  
16 necessities such as groceries and medication will provide some  
17 tax relief for all taxpayers, but it particularly will be  
18 helpful to those taxpayers in the lower and middle income tax



1 brackets. Currently, Hawaii is one of only five states that  
2 fully tax the sale of groceries without at least giving the  
3 taxpayer a corresponding tax credit or tax deduction. The tax  
4 burden associated with the general excise tax in this State is  
5 making it especially difficult for the lower and middle income  
6 taxpayers of Hawaii to stretch their disposable income because  
7 Hawaii already has one of the highest cost-of-living indexes in  
8 the United States.

9 The purpose of this Act is to establish a general excise  
10 tax exemption on groceries and medication.

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

14 "§237- Grocery exemption. (a) There shall be exempted  
15 from, and excluded from the measure of, the taxes imposed by  
16 this chapter all of the gross proceeds or income arising from  
17 the sale of groceries within the State.

18 (b) For purposes of this section, the following terms  
19 shall have the following meaning:

20 "Alcoholic beverages" means beverages that are suitable for  
21 human consumption and contain one-half of one per cent or more  
22 of alcohol by volume.



1        "Dietary supplements" means nutritional food supplements  
2 that are intended to provide nutrients that are missing from a  
3 person's diet or nutrients that are not consumed in sufficient  
4 quantity, such as vitamins, minerals, fiber, fatty acids, or  
5 amino acids.

6        "Food" or "food product" means substances, whether in  
7 liquid, concentrated, solid, frozen, dried, or dehydrated form,  
8 that are sold for ingestion or chewing by humans and are  
9 consumed for their taste or nutritional value. "Food" or "food  
10 product" does not include alcoholic beverages, tobacco, prepared  
11 food, soft drinks, or dietary supplements.

12        "Groceries" means any food or food product for home  
13 consumption. In the case of those persons who are sixty-five  
14 years of age or older or who receive supplemental security  
15 income benefits under Title XVI of the Social Security Act (42  
16 U.S.C. §1381 et. seq.), and their spouses, "groceries" includes  
17 meals prepared by and served in senior citizens' centers,  
18 apartment buildings occupied primarily by senior citizens,  
19 private nonprofit establishments (eating or otherwise) that feed  
20 senior citizens, private establishments that contract with the  
21 appropriate agency of the State to offer meals for senior  
22 citizens at concessional prices, and meals prepared for and



1 served to residents of federally subsidized housing for the  
2 elderly.

3 The term "groceries" may be further defined by the  
4 department by rule through the enumeration of items in rules or  
5 tax informational releases; provided that the department shall  
6 consult with the federal Food and Nutrition Service of the  
7 United States Department of Agriculture in further defining the  
8 term "groceries" for food stamp purposes.

9 "Prepared food":

10 (1) Means:

11 (A) Food sold in a heated state or heated by the  
12 seller that is primarily intended to be consumed  
13 immediately at the seller's place of business;

14 (B) Food sold with eating utensils provided by the  
15 seller, including plates, knives, forks, spoons,  
16 glasses, cups, napkins, or straws; or

17 (C) Food or food product that is mixed or combined by  
18 the seller for sale as a single item; and

19 (2) Does not include the following food or food product:

20 (A) Food that is only cut, repackaged, or pasteurized  
21 by the seller;



1           (B) Raw eggs, fish, meat, poultry, or foods  
2           containing those raw animal foods that require  
3           cooking by the consumer to prevent foodborne  
4           illnesses, as recommended by the United States  
5           Food and Drug Administration in chapter 3, part  
6           401.11, of the Food Code 2009;

7           (C) Food sold in an unheated state by weight or  
8           volume as a single item; or

9           (D) Bakery items, such as bread, rolls, buns,  
10           biscuits, bagels, croissants, pastries,  
11           doughnuts, Danish pastries, cakes, tortes, pies,  
12           tarts, muffins, bars, cookies, or tortillas.

13           "Soft drinks" means non-alcoholic beverages that contain  
14           natural or artificial sweeteners. "Soft drinks" does not  
15           include beverages that contain:

- 16           (1) Milk or milk products;
- 17           (2) Soy, rice, or similar milk substitutes; or
- 18           (3) Greater than fifty per cent vegetable or fruit juice  
19           by volume.

20           §237- Medication exemption. (a) There shall be  
21           exempted from, and excluded from the measure of, the taxes



1 imposed by this chapter all of the gross proceeds or income  
2 arising from the sale of medication.

3 (b) For purposes of this section:

4 "Medication" means medicine that can be purchased over-the-  
5 counter without a prescription (for example, aspirin, cough  
6 syrup, and laxatives)."

7 SECTION 3. New statutory material is underscored.

8 SECTION 4. This Act shall take effect on July 1, 2010.

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**Report Title:**

GET; Exemption; Groceries; Medication

**Description:**

Establishes a general excise tax exemption on the purchase of groceries and medication.

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