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## A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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

1           SECTION 1. The legislature finds that, in light of the  
2 slow economy, there has been a decrease in consumer spending due  
3 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.

9           A recent study, "The Washington Economics Group, Inc.; An  
10 Analysis of the Costs and Benefits of a Sales Tax Holiday in  
11 Florida; October 20, 2009", noted the empirical relationship  
12 between a 2009 "Back to School" sales holiday and the level of  
13 economic activity in Florida. The analysis found that the  
14 school sales tax holiday would have a positive economic impact -  
15 increasing gross sales by eight per cent for the month in which  
16 it was held or increasing economic activity by roughly  
17 \$1,700,000,000.



1 Additional impacts of a school sales tax holiday included  
2 generation of 21,896 full-time equivalent jobs (seventy-one per  
3 cent in retailing and the rest distributed over the economy as a  
4 whole), an additional \$628,000,000 in labor income (sixty per  
5 cent in retailing and the rest distributed over the economy as a  
6 whole), and a net increase in state and local taxes of  
7 \$118,000,000 as a result of increased economic activity.

8 Authors of the study pointed out that the school sales tax  
9 holiday directly increases sales of items that remain taxable by  
10 significantly increasing shopping traffic to retail  
11 establishments, as well as indirectly increasing state and local  
12 taxes because of the need for additional labor (temporary help  
13 or overtime work for existing employees).

14 In addition, in 2010, the senate committee on economic  
15 development and technology and the house committee on economic  
16 revitalization, business, and military affairs convened an  
17 informal small business discussion group to address the most  
18 critical issues facing the small business sectors within  
19 Hawaii's economy. Representatives from the Chamber of Commerce  
20 of Hawaii, construction and trades industries, community  
21 nonprofits, the agricultural sector, food and restaurant  
22 industries, retailing, the science and technology sector, the



1 commercial transportation industry, and interested stakeholders  
2 developed a package of bills that address the most pressing  
3 problems facing Hawaii's small business community.

4 The purpose of this Act is to support the findings of the  
5 small business working group and recommendations to stimulate  
6 Hawaii's economy for residents and retailers alike by reducing  
7 the cost of certain consumer items for Hawaii residents for a  
8 very limited time each year.

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

12 "§237- Annual exemption; amounts not taxable. (a) For  
13 the taxable year beginning after December 31, 2010, and  
14 thereafter, there shall be an annual exemption from the  
15 application of this chapter on amounts received from retail  
16 sales of the items listed in this subsection that are transacted  
17 over a period of five days beginning on Wednesday of the last  
18 full week in July and ending at 12:00 midnight on the following  
19 Sunday, regardless of whether the Sunday falls in July or  
20 August:

21 (1) Books sold for less than \$50 per book;

22 (2) Clothing items sold for less than \$100 per item;



1           (3) Computers, computer software, and computer supplies  
2           sold for less than a total of \$1,500; and

3           (4) School supplies sold for less than \$15 per item.

4           (b) Amounts received from the retail sale of computer  
5 systems, devices, software, and peripherals designed or intended  
6 primarily for commercial use and furniture shall not be exempt  
7 from this chapter.

8           (c) During the period of the annual exemption as described  
9 in subsection (a):

10          (1) Items normally sold in sets of two or more shall not  
11          be separated to qualify for the exemption;

12          (2) Articles normally sold as a unit shall not be  
13          separated to qualify for the exemption;

14          (3) If exempt items are sold together with taxable  
15          merchandise as a set or single unit, the full price  
16          shall be subject to the general excise tax, unless the  
17          price of the exempt item is separately stated;

18          (4) The total price of items advertised as "buy one, get  
19          one free", or "buy one, get one for a reduced price",  
20          shall not be averaged to qualify both items for the  
21          exemption; and



1           (5) A retailer may offer discounts to reduce the retail  
2           price of an item to permit the item to qualify for the  
3           exemption.

4           (d) With regard to the exemption from the general excise  
5           tax under this section, a retailer's records shall clearly  
6           identify the type of item sold, the date the item was sold, and  
7           the sales price of the item.

8           (e) As used in this section:

9           "Book" means a set of bound printed sheets published in a  
10          hard or soft cover volume that has an identifiable international  
11          standard book number. The term does not include magazines,  
12          newspapers, periodicals, or any other document printed or  
13          offered for sale in non-bound form.

14          "Clothing" means any item of apparel intended for human  
15          wear and includes footwear.

16          "Computer" means a laptop, desktop, or tower computer  
17          system that consists of a central processing unit, random access  
18          memory, a storage drive, a display monitor, a keyboard, and  
19          devices designed for use in conjunction with a computer, such as  
20          a disk drive, memory module, compact disk drive, daughterboard,  
21          digitalizer, microphone, modem, motherboard, mouse, multimedia



1 speaker, printer, scanner, single-user hardware, single-user  
2 operating system, soundcard, or video card.

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

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

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

9 and

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

13 "Computer supplies" means:

14 (1) Computer storage media, including diskettes and  
15 compact discs;

16 (2) Handheld electronic schedulers, except devices that  
17 are cellular telephones;

18 (3) Personal digital assistants, except devices that are  
19 cellular telephones;

20 (4) Computer printers; and

21 (5) Printer supplies for computers, including printer  
22 paper and ink.



1        "School supplies" means items normally used by students in  
2 a course of study in primary or secondary schools or  
3 institutions of higher learning and include but are not limited  
4 to:

- 5        (1) Backpacks;
- 6        (2) Binders;
- 7        (3) Book bags;
- 8        (4) Calculators;
- 9        (5) Cellophane tape;
- 10       (6) Chalk;
- 11       (7) Compasses;
- 12       (8) Composition books and notebooks;
- 13       (9) Crayons;
- 14       (10) Erasers;
- 15       (11) Folders -- expandable, pocket, plastic, or manila;
- 16       (12) Glue or paste;
- 17       (13) Highlighters;
- 18       (14) Index cards and boxes;
- 19       (15) Legal pads;
- 20       (16) Lunch boxes;
- 21       (17) Markers;



- 1        (18) Paper, including loose leaf ruled notebook, copy,
- 2                graph, tracing, manila, colored, or construction paper
- 3                or poster board;
- 4        (19) Pens, pencils, pencil boxes, and pencil sharpeners;
- 5        (20) Protractors;
- 6        (21) Rulers;
- 7        (22) Scissors;
- 8        (23) School or supply boxes; and
- 9        (24) Writing tablets.


10 The term shall not include watches, radios, compact disc  
11 players, headphones, sporting equipment, copiers or other office  
12 equipment, or fixtures."

13        SECTION 3. New statutory material is underscored.

14        SECTION 4. This Act, upon its approval, shall apply to  
15 taxable years beginning after December 31, 2010.

16

INTRODUCED BY:

  
Karen Curran  
Gov.

JAN 21 2011





**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.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

