
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.

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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.

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