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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 slowdown in the economy, there has been a decrease in consumer  
3 spending due to the rising costs of goods as well as a change in  
4 consumer behavior that favors saving more than spending. The  
5 legislature further finds that more than a dozen states have  
6 suspended their sales taxes on certain products, such as  
7 clothing, computers, and school supplies, so that the tax cuts  
8 will stimulate the economy and more than offset the loss of tax  
9 revenues.

10           A recent study, "The Washington Economics Group, Inc.; An  
11 Analysis of the Costs and Benefits of a Sales Tax Holiday in  
12 Florida; October 20, 2009", noted the empirical relationship  
13 between a 2009 "Back to School" sales holiday and the level of  
14 economic activity in Florida. The analysis found that the  
15 school sales tax holiday would have a positive economic impact -  
16 increasing gross sales by eight per cent for the month in which  
17 it was held or increasing economic activity by roughly  
18 \$1,700,000,000.



1 Additional impacts of the school sales tax holiday in  
2 Florida included generation of 21,896 full-time equivalent jobs  
3 (seventy-one per cent in retailing and the rest distributed over  
4 the economy as a whole), an additional \$628,000,000 in labor  
5 income (sixty per cent in retailing and the rest distributed  
6 over the economy as a whole), and a net increase in state and  
7 local taxes of \$118,000,000 as a result of increased economic  
8 activity. Authors of the study pointed out that the school  
9 sales tax holiday directly increases sales of items that remain  
10 taxable by 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 addresses 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) All savings generated by the tax exemption provided  
9       for in this section shall be passed on by the seller to the  
10      purchaser without any increase in price.

11      (f) The tax exemption provided for in this section shall  
12      not apply to:

13      (1) Rebates, layaway sales, rain checks, or exchanges,  
14      when the transactions occur before or after the tax  
15      exemption period specified in subsection (a); and

16      (2) Mail, telephone, e-mail, or Internet orders with  
17      businesses operating outside the State.

18      (g) As used in this section:

19      "Book" means a set of bound printed sheets published in a  
20      hard or soft cover volume that has an identifiable international  
21      standard book number. The term does not include magazines,



1 newspapers, periodicals, or any other document printed or  
2 offered for sale in non-bound form.

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

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

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

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

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

19 and

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



1        "Computer supplies" means:

2        (1) Computer storage media, including diskettes and

3        compact discs;

4        (2) Handheld electronic schedulers, except devices that

5        are cellular telephones;

6        (3) Personal digital assistants, except devices that are

7        cellular telephones;

8        (4) Computer printers; and

9        (5) Printer supplies for computers, including printer

10       paper and ink.

11       "School supplies" means items normally used by students in

12       a course of study in primary or secondary schools or

13       institutions of higher learning and include but are not limited

14       to:

15       (1) Backpacks;

16       (2) Binders;

17       (3) Book bags;

18       (4) Calculators;

19       (5) Cellophane tape;

20       (6) Chalk;

21       (7) Compasses;

22       (8) Composition books and notebooks;



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

19       The term shall not include watches, radios, compact disc  
20       players, headphones, sporting equipment, copiers or other office  
21       equipment, or fixtures."

22       SECTION 3. New statutory material is underscored.





1 SECTION 4. This Act shall take effect on July 1, 2112.



**Report Title:**

General Excise Tax; Annual Exemption; School Supplies and Computers

**Description:**

Establishes an annual exemption from the general excise tax for certain school-related items. Effective July 1, 2112. (HB364 HD1)

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

