

SB2332

Measure Title: RELATING TO GENERAL EXCISE TAX EXEMPTIONS.

Report Title: General Excise Tax; Supplemental Nutrition Assistance Program; Groceries; Prescription Drugs; Exemption

Description: Establishes a general excise tax exemption for the gross proceeds or income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program and prescription drugs.

Companion:

Package: None

Current Referral: CPH/HMS, WAM

Introducer(s): L. THIELEN, ESPERO, GALUTERIA, KIM, Gabbard, Harimoto, Riviere, Ruderman

SB-2332

Submitted on: 2/4/2018 9:30:26 PM

Testimony for CPH on 2/5/2018 3:10:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments:

DAVID Y. IGE
GOVERNOR

DOUGLAS S. CHIN
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
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To: The Honorable Rosalyn H. Baker, Chair
and Members of the Senate Committee on Commerce, Consumer Protection, &
Health

The Honorable Josh Green, Chair
and Members of the Senate Committee on Human Services

Date: Monday, February 5, 2018
Time: 3:10 P.M.
Place: Conference Room 016, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 2332, Relating to General Excise Tax Exemptions

The Department of Taxation (Department) appreciates the intent of S.B. 2332 and offers the following comments for your consideration.

S.B. 2332 exempts from the general excise tax (GET) the gross proceeds arising from the sale of Supplemental Nutrition Assistance Program (SNAP) eligible groceries and the sale of prescription drugs. A summary of key provisions are as follows:

- Adds a new section to Hawaii Revised Statutes (HRS) chapter 237, exempting gross proceeds arising from the sale of SNAP-eligible groceries (as determined by the United States Department of Agriculture (USDA));
- Adds a new section to HRS chapter 237, exempting gross proceeds arising from the sale of prescription drugs;
- Defines “groceries” as any food or food product for home consumption;
- Defines “food” and “food product” as substances sold for ingestion or chewing by humans that are consumed for their taste or nutritional value;
- Excludes alcoholic beverages, dietary supplements, and soft drinks from the definition of food;
- Authorizes the Department to issue rules, in consultation with the USDA’s Food and Nutrition Service, to further define the term “groceries”;
- Applies the definition of “prescription drugs” from section 328-1, HRS; and
- Effective date of July 1, 2018.

First, the Department notes that the proposed exemption for prescription drugs is duplicative of existing law, as income from the sale of prescription drugs is already exempted from the GET by HRS section 237-24.3(6). The Department therefore recommends deleting this part of the measure.

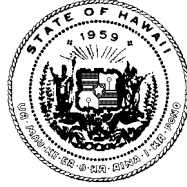
Second, the Department notes that the measure exempts “SNAP-eligible groceries” with certain exceptions. Under HRS section 237-24.3(5), SNAP items purchased with an EBT card are exempted from GET. This means that retailers of SNAP-eligible items are likely to have their systems programmed to identify the SNAP-eligible GET exempted items. Minimal diversion from the SNAP program itself will assist the taxpayers and the Department in implementation of this new exemption. To prevent any ambiguity or confusion, the Department suggests amending the exemption to read:

(a) There shall be exempted from, and excluded from the measure of, the taxes imposed by this chapter all of the gross proceeds or income arising from the sale of Supplemental Nutrition Assistance Program eligible items; provided that soft drinks shall not be exempted by this section.

Alcohol, tobacco, and dietary supplements are not SNAP-eligible so these items would not need to be specifically carved out. As such the definitions of “alcoholic beverages” and “dietary supplements” may be deleted.

Finally, the Department respectfully requests that the effective date be changed to January 1, 2019, to allow time for changes to forms and the Department’s computer system. This will also give the retailers time to prepare for the implementation of this new exemption.

Thank you for the opportunity to provide comments.



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 5, 2018

TO: The Honorable Senator Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection, and Health

The Honorable Senator Josh Green, Chair
Senate Committee on Human Services

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 2332 - RELATING TO GENERAL EXCISE TAX EXEMPTION**

Hearing: Monday, February 5, 2018, 3:10 pm
Conference Room 016, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this bill, defers to the Department of Taxation, and provides comments. The authority to require no sales taxes on food stamp purchases under the Supplemental Nutrition Assistance Program (SNAP) is outlined under the applicable provisions of 7 U.S.C. 2011-2036. SNAP benefits are 100 percent federally funded by the United States Department of Agriculture's Food and Nutrition Service (FNS). Benefits are issued by individual States and redeemable at any authorized FNS SNAP retailer. FNS may terminate the issuance of benefits and disallow administrative funds in any State where taxes are charged against food purchased with SNAP benefits. This measure is similar to SB 3051.

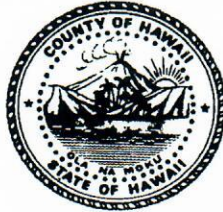
PURPOSE: The purpose of the bill is to establish a general excise tax exemption for the gross proceeds or income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program and prescription drugs.

The Food and Nutrition Act of 2008 defines eligible food as any food or food product for home consumption by SNAP households. Items ineligible for SNAP include alcoholic beverages, tobacco, hot foods, and hot food products prepared for immediate consumption.

Thank you for the opportunity to provide comments on this bill.

Eileen O'Hara
Council Member
Council District 4

Chair: Environmental
Management Committee



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Vice Chair: Planning Committee and
Agriculture, Water & Energy
Sustainability Committee

County of Hawaii

Hawaii County Council

25 Aupuni Street, Suite 1402 • Hilo, Hawai'i 96720

Senator Rosalyn H. Baker
Chair, Committee on Commerce, Consumer Protection, and Health
Hawai'i State Senate

February 1, 2018

**Re: In Support of Senate Bill 2332, from Hawai'i County Council District 4
To be heard by CPH on 02-05-18 3:10PM in conference room 016**

Aloha Chair Baker and Committee Members:

I'm writing to express my support of Senate Bill 2332, which establishes a general excise tax exemption for the gross proceeds or income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program and prescription drugs.

Reducing the costs of food and prescription drugs for those households that already struggle under the state's high cost of living help protect this vulnerable population from food insecurity and will help encourage better health in this population.

Please consider the important impact this Bill will have on the people of Hawai'i, and contact me if you have any questions about my support or knowledge of the subject.

Sincerely,

Eileen O'Hara
Council Member
Council District 4

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exempt Groceries and Prescription Drugs

BILL NUMBER: SB 2332

INTRODUCED BY: L. THIELEN, ESPERO, GALUTERIA, KIM, Gabbard, Harimoto, Riviere, Ruderman

EXECUTIVE SUMMARY: Exempts purchases of groceries and prescription drugs. The proposed exemption for groceries could cause a large revenue loss. The proposed exemption for prescription drugs is duplicative of one already on the books.

SYNOPSIS: Adds a new section to chapter 237, HRS, to exempt from the GET all gross proceeds arising from the sale within the State of Supplemental Nutrition Assistance Program (SNAP) eligible groceries within the State. "Groceries" is defined as any food or food product for home consumption, but does not include alcoholic beverages, tobacco, prepared food, soft drinks, or dietary supplements.

Adds another new section to chapter 237, HRS, to exempt from the GET all proceeds arising from the sale of prescription drugs as defined in section 328-1, HRS.

EFFECTIVE DATE: July 1, 2018.

STAFF COMMENTS: Food stamps and related payments such as under the Special Supplemental Nutrition Program for Women, Infants, and Children (known as WIC) are now exempt from general excise tax under HRS section 237-24.3(5). The Department of Taxation has interpreted this exemption as covering payments under the SNAP program.

The bill, however, is intended to exempt all groceries from GET, not just the ones purchased with EDB cards. The exemption would apply to those foods eligible for SNAP, even if not purchased with a SNAP card. The idea is to exempt healthy food for home consumption, even if the buyer is above the income requirements for SNAP.

According to the State of Hawaii Data Book 2016 published by DBEDT (Table 13.36), food and beverages purchased for off-premises consumption in Hawaii totaled about \$5.1 billion in 2014 and 2015. Exempting this category of consumption could cost 4% of this, or north of \$200 million.

With regard to prescription drugs, section 237-24.3(6), HRS, exempts the sale of prescription drugs and prosthetic devices already. The proposed new exemption therefore may be largely duplicative. If there are significant differences, the legislature may consider rephrasing this proposed exemption as an amendment to section 237-24.3(6), HRS.

Digested 1/31/2018



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

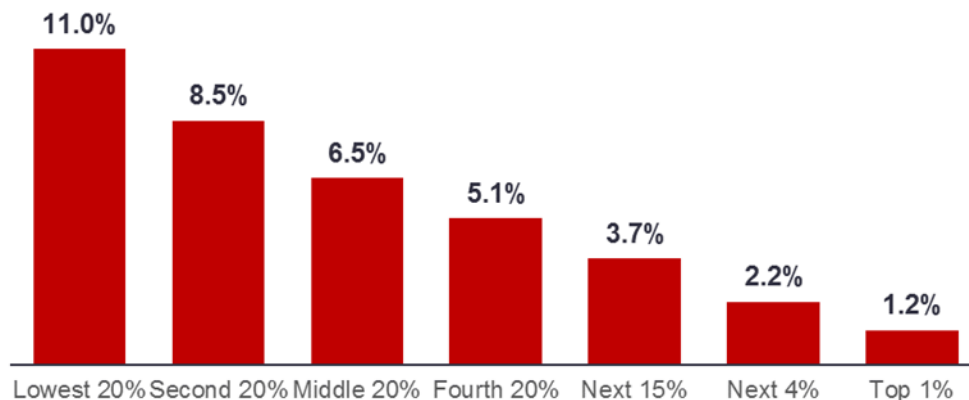
Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting SB 2988 – Relating to General Excise Tax Exemptions
Senate Committees on Commerce, Consumer Protection, and Health and on Human Services
Scheduled for hearing at 3:10 pm on Monday, February 5, 2018 in Conference Room 016

Dear Chairs Baker and Green, Vice Chairs Tokuda and Chang, and members of the Committees:

Thank you for the opportunity to testify in SUPPORT of **SB 2332**, which would establish a general excise tax exemption for the gross proceeds or income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program and prescription drugs.

Hawai'i's General Excise Tax (GET), applied to almost all goods and services, hits low-income and working-class families almost ten times harder than those at the top. As a result, our state ranks second nationally in how heavily we tax our low-income households.

The GET Hits Low-Income Workers Almost 10 Times As Hard As the Top 1%
Hawaii's General Excise Tax as a Share of Family Income



We see the effects the GET on our low-income and working-class families every day. Nearly half of our state's residents live paycheck-to-paycheck, and too many workers can't afford decent homes. SB 2332 would help relieve the burden of the GET by exempting purchases of two necessities – food and prescription drugs – from it.

We appreciate your consideration of this testimony.

The Hawai'i Appleseed Center for Law and Economic Justice is committed to a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.

SB-2332

Submitted on: 2/2/2018 2:00:20 PM

Testimony for CPH on 2/5/2018 3:10:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Joy Marshall		Support	No

Comments: