



**STATE OF HAWAII
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221

HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>

Phone: (808) 587-1540 / Fax: (808) 587-1560

Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

Date: Monday, February 11, 2019
Time: 10:00 A.M.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 1053, Relating to General Excise Tax Exemptions

The Department of Taxation (Department) appreciates the intent of S.B. 1053 and offers the following comments for your consideration.

S.B. 1053 adds two new sections to Chapter 237, Hawaii Revised Statutes (HRS) to provide general excise tax (GET) exemptions for: (1) gross proceeds received from the sale of all groceries eligible for purchase under the Supplemental Nutrition Assistance Program (SNAP) within the State, regardless of the means of purchase or the SNAP-eligibility of the purchaser; and (2) gross proceeds arising from the sale of prescription drugs as defined in section 328-1, HRS. The bill is effective July 1, 2019.

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 thus recommends deleting this part of the measure.

Second, the Department notes that this bill also exempts from the GET the gross proceeds arising from the sale of "SNAP-eligible groceries" (as determined by the United States Department of Agriculture (USDA)) with certain exceptions. A summary of key provisions of this exemption are as follows:

- 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; and
- Authorizes the Department to issue rules, in consultation with the USDA's Food and Nutrition Service, to further define the term "groceries".

To simplify the administration of this exemption for retailers, the Department suggests limiting the types of eligible groceries to those items that qualify for the SNAP program. This will make it easier for the retailers as there will be a minimal number of items that qualify for this exemption, but not for the SNAP program. To achieve this, 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, 2020, to allow time for changes to forms, instructions, and 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.

SB-1053

Submitted on: 2/10/2019 9:52:48 AM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

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 1053

INTRODUCED BY: L. THIELEN, S. CHANG, KANUHA, J. KEOHOKALOPE,
MORIWAKI, Ruderman, Shimabukuro

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, 2019.

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 electronic benefits transfer 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 2/5/2019



1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiiifood.com

Executive Officers

Toby Taniguchi, KTA Superstores, *Chair*
Joe Carter, Coca-Cola Bottling of Hawaii, *Vice Chair*
Charlie Gustafson, Tamura Super Market, *Secretary/Treas.*
Lauren Zirbel, HFIA, *Executive Director*
Beau Oshiro, C&S Wholesale Grocers, *Past Chair*
Stan Brown, Acosta Sales & Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
Barry Taniguchi, KTA Superstores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*

TO:

Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 11, 2019
TIME: 10am
PLACE: Conference Room 211

RE: SB1053 Relating to General Excise Tax Exemptions

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

We support this measure to exempt SNAP eligible groceries and prescription medicine from the GET. This is a common sense way to immediately bring down the cost of living for all Hawaii residents. This measure will have the greatest benefit for lower income Hawaii households, who spend a larger proportion of their income on food and other essential items.

Food is a major expense for Hawaii families. In 2014, the average spent on food annually for a two-person household was \$9,978 in Maui county; \$9,901 in Kauai county; \$9,467 in Honolulu county; and \$7,676 in Hawaii county. An average two-person household would save over \$400 each year if food were exempt from the general excise tax, which is significantly more than the existing food income tax credit for low-income families. Larger households would have an even greater savings.

Thirty-two states plus the District of Columbia exempt groceries from their sales taxes, and another six states tax groceries at lower rates than other goods. It is time for Hawaii to join this majority.

Hawaii's high cost of living is a constant topic of conversation and each year we see a lot of bills that try to address one segment of this problem or another. Exempting groceries from the GET is a comprehensive solution that would actually make it less expensive to live in Hawaii.

Saving 4.712% on their grocery bill would mean that Hawaii families can put that money towards things like buying more fruits and vegetables, saving for retirement, and investing in their communities. Keeping the money in the local economy and in the hands of people that need it benefits everyone. In fact, it would benefit lower income households the most. Lower income families spend a significantly higher percentage of their income on food. Removing food from the GET would also save the state some money by eliminating the need for the Refundable Food Excise Tax Credit.

For these reasons we encourage you to vote yes on this measure, we thank you for the opportunity to testify.



HAWAII APPLESEED

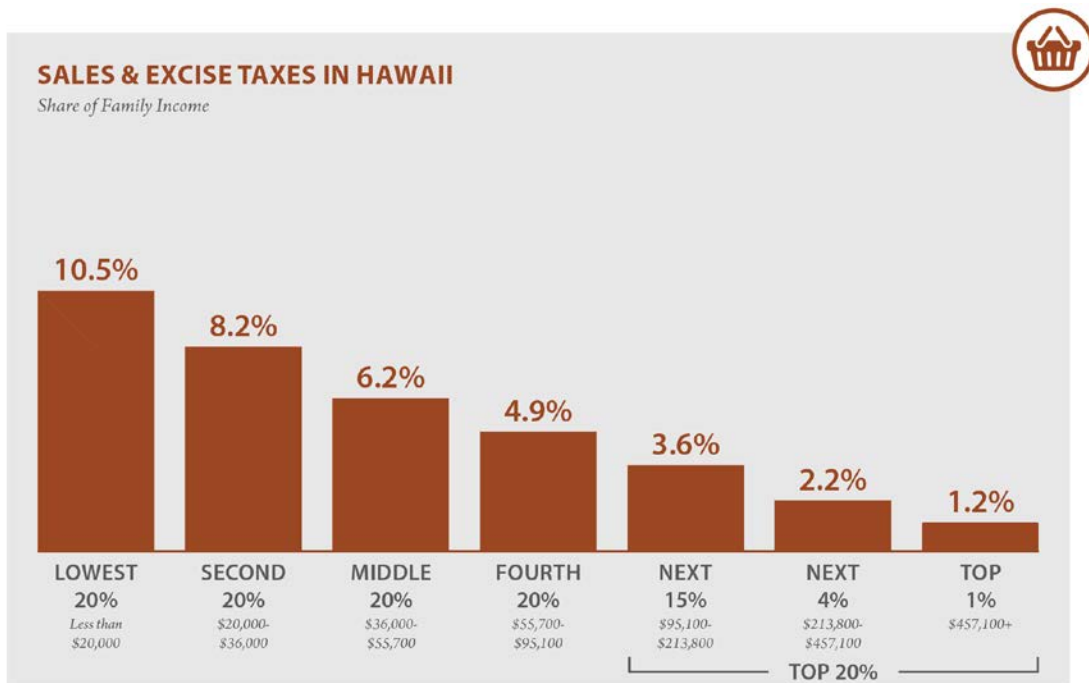
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting SB 1053 – Relating to General Excise Tax Exemptions
Senate Committee on Ways and Means
Monday, February 11, 2019, at 10:00 AM in conference room 211

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

Thank you for the opportunity to testify in **SUPPORT** of **SB 1053**, 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 nine times harder than those at the top. As a result, our state ranks second nationally in how heavily we tax our low-income households.



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 1053 would help relieve the burden of the GET by exempting purchases of two necessities from it. Mahalo for 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-1053

Submitted on: 2/6/2019 8:05:38 AM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael A Nobriga	Individual	Support	No

Comments:

I truly support the bold initiative of exempting certain foods from the State General Excise Tax.

I believe that it will leave a big void in taxes being collected, and I am trusting that that burden will not be redirected to business. All of small business in Hawai'i is struggling with more and more oversight by government. Please think of us.

I would also support any effort to exempt medications as well. The aging population of our State is in need of some relief to the escalating cost of prescription medication. In no way am I referring to medicinal cannabis (marijuana), which should be taxed in a totally different bracket and generate much more tax revenue for the community.

Mahalo

TO: Members of the Committee on Ways and Means

FROM: Natalie Iwasa
808-395-3233

HEARING: 10 a.m. Monday, February 11, 2019

SUBJECT: SB1053, General Excise Tax Exemptions – **SUPPORT & COMMENTS**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB1053, which would exempt certain food and prescription drugs from the general excise tax (GET).

Given our high cost of living and the fact that many people are having a difficult time making ends meet, I support the exemption on groceries that are eligible under SNAP. I also appreciate the consideration that retailers are already set up to track these types of purchases.

Please also **consider exempting medical services and rent from the GET.**

The **proposed exemption on prescription drugs** appears to expand the current exemption, which is included in HRS Sec. 237-24.3 (6):

- Amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or a practitioner licensed to administer the drug to an individual for selling prescription drugs or prosthetic devices to an individual; provided that this paragraph shall not apply to any amounts received for services provided in selling prescription drugs or prosthetic devices. As used in this paragraph:

"Prescription drugs" are those drugs defined under section 328-1 and dispensed by filling or refilling a written or oral prescription by a practitioner licensed under law to administer the drug and sold by a licensed pharmacist under section 328-16 or practitioners licensed to administer drugs; provided that "prescription drugs" shall not include cannabis or manufactured cannabis products authorized pursuant to chapters 329 and 329D

I do not support a GET exemption on cannabis or related products.

SB-1053

Submitted on: 2/7/2019 9:37:51 AM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Neil Ishida	Testifying for ABC Stores	Support	No

Comments:

TO: Committee on Ways and Means: Chair Senator Donovan Dela Cruz and Vice Chair Senator Gilbert S.C. Keith-Agaran.

FROM: ABC Stores, Neil Ishida, Director of Employee Relations and Government Affairs

ABC Stores strongly supports SB1053 Relating to General Excise Tax Exemptions.

We support this measure to exempt SNAO eligible groceries and prescription medicines from the GET. This measure will have the greatest benefit for lower income Hawaii households.

Exempting groceries from the GET is a comprehensive solution that would make it less expensive to live in Hawaii. Thirty-two states plus the District of Columbia exempt groceries from their sales taxes. It is time for Hawaii to join this majority.

We encourage you to vote yes on this measure, we thank you for the opportunity to testify.

SB-1053

Submitted on: 2/8/2019 9:08:33 AM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Carmelita Phillips	Testifying for KYD, Inc.	Support	No

Comments:

Multiple Testifiers
Brian Christensen
Herbert Gushikuma
Debbie Lee Soon
Liza Garcia-Mitchell
Blake Yokotake
Nicholaus Chun
Andrew Stone
Alex Sumberg

To: WAM Testimony
Subject: Testimony in Support of SB1053, WAM Hearing February 11, 10am
Date: Thursday, February 7, 2019 10:40:07 AM

Dear WAM Testimony Testimony,
Testimony in Support of SB1053 Relating to General Excise Tax Exemptions
Ways and Means Committee
February 11, 2019
10am

Chair Dela Cruz, Vice Chair Keith-Agaran and members of the Committee,

I strongly support this measure. For years we have seen Hawaii's cost of living creep higher and debated different ways to try and mitigate the negative consequences of that. This measure is a common sense way to bring down Hawaii's cost of living for all Hawaii residents, right now. Most other states don't tax their groceries, and even among those that do few tax them as much as we do here. This is not a burden that Hawaii residents should have to bear.

Food is a major expense for Hawaii households, for many it is their largest monthly expense after housing. Lower income families spend the highest percentage of their income on food. This measure will save Hawaii families hundreds of dollars a year on their grocery bills, without having to wait and apply for the tax refund, which may not cover what many low income families actually spend on GET for groceries.

This measure is the right choice for Hawaii's families and for our state and I hope that you will move it forward.

Thank you for the opportunity to testify.

LATE

SB-1053

Submitted on: 2/10/2019 1:05:25 PM

Testimony for WAM on 2/11/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Amy Monk	Individual	Support	No

Comments:



February 10, 2019

**TESTIMONY IN SUPPORT OF
SENATE BILL 1053, RELATING TO GENERAL EXCISE TAX EXEMPTIONS**

Senate Committee on Ways & Means
The Honorable Donovan Dela Cruz, Chair
The Honorable Gilbert Keith-Agaran, Vice Chair

Monday, February 11, 2019 – 10:00 a.m.
State Capitol, Room 211

Chair Dela Cruz, Vice Chair Keith-Agaran and members of the Committee,

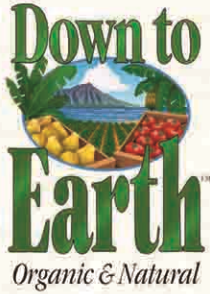
Thank you for providing Par Hawaii with this opportunity to submit written testimony on Senate Bill 1053, Relating to General Excise Tax Exemptions. My name is Lance Tanaka, director of government and public affairs for Par Hawaii. As the state's leading provider of petroleum products and transportation fuels, Par Hawaii owns Hawaii's only operating refinery with a refining capacity of 115,000 barrels per day of product; distributes fuels via pipelines on Oahu and barges to all major harbors in the state; markets fuels through a network of 76 and Hele retail stations throughout Hawaii; and operates the nonmnom convenience stores.

SB 1053 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, regardless of the means of purchase and the SNAP eligibility of the purchaser, and prescription drugs.

Par Hawaii supports SB 1053. The proposed HGET exemption provides an incentive for businesses such as our convenience stores that are attached to fueling stations to provide a greater array of groceries that are eligible under SNAP.

We respectfully request the Committee's favorable consideration of SB 1053. Thank you for allowing Par Hawaii to submit written testimony supporting this measure.

Love Life!



SB 1053 RELATING TO GENERAL EXCISE TAX EXEMPTIONS
Senate Committee on Ways and Means
February 11, 2019, 10:00am State Capitol

Corporate Office
P.O. Box 1166
Kailua, HI 96734
Phone: (808) 484-5890
Fax: (808) 484-5896
corporate@downtoearth.org

Oahu Locations

Honolulu
2525 South King Street
Honolulu, HI 96826
Phone: (808) 947-7678
Fax: (808) 943-8491
honolulu@downtoearth.org

Kailua
201 Hamakua Drive
Kailua, HI 96734
Phone: (808) 262-3838
Fax: (808) 263-3788
kailua@downtoearth.org

Pearlridge
98-211 Pali Momi Street
Suite 950
Aiea, Hawaii 96701
Phone: (808) 488-1375
Fax: (808) 488-4549
pearlridge@downtoearth.org

Kapolei
4460 Kapolei Parkway
Kapolei, Hawaii 96707
Phone: (808) 675-2300
Fax: (808) 675-2323
kapolei@downtoearth.org

Kakaako
500 Keawe St.
Honolulu, HI 96813
Phone: (808) 465-2512
Fax: (808) 465-2305
kakaako@downtoearth.org

Maui Location

Kahului
305 Dairy Road
Kahului, HI 96732
Phone: (808) 877-2661
Fax: (808) 877-7548
kahului@downtoearth.org

Aloha Sen. Donovan M. Dela Cruz, Chair, Sen. Gilbert S.C. Keith-Agaran, Vice Chair,
and Committee Members,

Down to Earth Organic and Natural testifies in support of SB 1053.

Down to Earth *Organic and Natural* has six locations on Oahu and Maui. Since we opened in 1977, we have supported healthy lifestyles and preservation of the environment by selling local, fresh, organic and natural food, and by promoting a vegetarian lifestyle.

We support SB 1053 as it will allow residents' dollars to go farther when purchasing groceries. This savings will encourage people to spend more of their food budget at the grocery store, leading to more home-cooked and healthier meals for our island families.

Thank you for the opportunity to comment on this bill.

Alison Riggs
Public Policy & Government Relations Manager
Down to Earth

2525 S. King St., Suite 309
Honolulu, HI 96826

Phone (808) 824-3240
Fax (808) 951-8283
E-mail: alison.riggs@downtoearth.org