
A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTIONS.

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

1 SECTION 1. The legislature finds that Hawaii has the
2 highest cost of living in the nation. The general excise tax is
3 levied on nearly all economic activity, which creates a highly
4 regressive tax system by disproportionately affecting low-income
5 and middle-class families as a percentage of total income.
6 Although businesses are required to pay general excise taxes out
7 of their gross receipts, those taxes are passed on to customers
8 in the form of higher prices.

9 Food is a major expense for Hawaii families. Last year, the
10 average Honolulu household spent more than \$10,000 on food which
11 is an increase from just six years ago. In 2014, the average
12 spent on food annually for a two-person household was \$9,467 in
13 Honolulu county, \$9,978 in Maui county, \$9,901 in Kauai county,
14 and \$7,676 in Hawaii county. Hawaii's groceries are the second
15 most expensive in the nation. Approximately, 85 to 90 per cent
16 of Hawaii's food is imported. An average two-person household



1 would save over \$400 each year if food were exempt from the
2 general excise tax, which is significantly more than the
3 existing food income tax credit for low-income families. Larger
4 households would have an even greater savings.

5 Thirty-two states plus the District of Columbia exempt
6 groceries from their sales taxes, and another six states tax
7 groceries at lower rates than other goods. The legislature
8 finds that it is time for Hawaii to join this majority.

9 Health care is another major expense for local families.
10 Hawaii is one of only a handful of states that taxes medical and
11 dental services. Each physician supports an average of \$2.2
12 million in annual economic output and 13.84 jobs. Hawaii's tax
13 policy burdens the ability of medical professionals to support
14 the local community and makes their services more expensive for
15 residents. Forty-one states generally exclude medical services
16 from their sales taxes.

17 Finally, feminine hygiene products are another necessity
18 subject to the general excise tax. Feminine hygiene products
19 are an essential purchase that cost women an average of \$300 a
20 year. Several states that impose statewide sales or excise
21 taxes similar to Hawaii exempt feminine hygiene products from



1 taxation. Hawaii should follow these states by exempting
2 feminine hygiene products from the general excise tax.

3 Because the general excise tax affects almost all areas of
4 economic activity, it can make it difficult for average families
5 to afford basic life expenses like food and medical care. The
6 purpose of this Act is to help alleviate the general excise tax
7 burden on local households by exempting essential several
8 essential items: food, medical services, and feminine hygiene
9 products.

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

13 §237- Amounts not taxable for food. (a) The excise tax
14 assessed under this chapter shall not apply to amounts received
15 for food or food ingredients.

16 (b) The excise tax assessed under this chapter shall apply
17 to food or food ingredients that are furnished, prepared, or
18 served as meals, except:

19 (1) In the case of persons sixty years of age or over, or
20 who receive supplemental security income benefits, or
21 disability or blindness payments under Title I, II, X,



1 XIV, or XVI or the Social Security Act (42 U.S.C. 301
2 et seq., 401 et seq., 1201 et seq., 1351 et seq., 1381
3 et seq.) and their spouses, meals prepared by and
4 served in senior citizen's centers, apartment
5 buildings occupied primarily by such persons, public
6 or private nonprofit establishments, eating or
7 otherwise, that feed such persons, private
8 establishments that contract with the appropriate
9 agency of the State to offer meals for such persons at
10 concessional prices, and meals prepared for and served
11 to residents of federally subsidized housing for the
12 elderly;

13 (2) In the case of persons sixty years of age or over and
14 persons who are physically or mentally handicapped or
15 otherwise disabled that they are unable to adequately
16 prepare all of their meals, meals prepared for and
17 delivered to them and their spouses at their home by a
18 public or private nonprofit organization or by a
19 private establishment that contracts with the
20 appropriate state agency to perform such services at
21 concessional prices;



- 1 (3) In the case of disabled or blind recipients of
2 benefits under Title I, II, X, XIV, or XVI or the
3 Social Security Act (42 U.S.C. 301 et seq., 401 et
4 seq., 1201 et seq., 1351 et seq., 1381 et seq.), who
5 are residents in a public or private nonprofit group
6 living arrangement that serves no more than sixteen
7 residents and is certified by the appropriate state
8 agency or agencies, meals prepared and served under
9 such arrangement;
- 10 (4) In the case of women and children temporarily residing
11 in public on private nonprofit shelters for battered
12 women and children, meals prepared and served by such
13 shelters; and
- 14 (5) In the case of households that do not reside in
15 permanent dwellings and households that have no fixed
16 mailing addresses, meals prepared for and served by a
17 public or private nonprofit establishment approved by
18 an appropriate state or local agency that feeds such
19 individuals by private establishments that contract
20 with the appropriate agency of the State to offer
21 meals for such individuals at concessional prices.



1 (c) As used in this section:

2 "Alcoholic beverages" means beverages that are suitable for
3 human consumption and contain one-half of one percent or more of
4 alcohol by volume.

5 "Dietary supplement" means any product, other than tobacco,
6 intended to supplement the diet that:

7 (1) Contains one or more of the following dietary
8 ingredients:

9 (A) A vitamin;

10 (B) A mineral;

11 (C) An herb or other botanical element;

12 (D) An amino acid;

13 (E) A dietary supplement for use by humans to
14 supplement a person's diet by increasing the
15 total dietary intake; or a concentrate
16 metabolite, constituent, extract, or combination
17 of any ingredient described in this definition;

18 (2) Is intended for ingestion in tablet, capsule, powder,
19 softgel, gelcap, or liquid form, or if not intended
20 for ingestion in such form, is not represented as



1 conventional food and is not represented for use as a
2 sole item of a meal or of a diet; and

3 (3) Is required to be labeled as a dietary supplement,
4 identifiable by the "supplemental facts" box found on
5 the label as required pursuant to title 21 Code of
6 Federal Regulations section 101.36, as amended or
7 renumbered.

8 "Food" or "food ingredients" mean substances, whether in
9 liquid, concentrated, solid, frozen, dried, or dehydrated form,
10 that are sold for their ingestion or chewing by humans and are
11 consumed for their taste or nutritional value. Food or food
12 ingredients does not include alcoholic beverages, tobacco,
13 prepared food, soft drinks, dietary supplements, or food or food
14 ingredients sold from a vending machine, whether cold or hot;
15 provided that food or food ingredients sold from a vending
16 machine that is subsequently heated shall be subject to this
17 chapter.

18 "Prepared food" means:

19 (1) Food sold in a heated state or heated in by the
20 seller;

21 (2) Food sold with eating utensils provided by the seller,



1 including plates, knives, forks, spoons, chopsticks,
2 glasses, cups, napkins, or straws. A plate does not
3 include a container or packaging used to transport the
4 food; or

5 (3) Two or more food ingredients mixed or combined by the
6 seller for sale as a single item, except:

7 (A) Food that is only cut, repackaged, or pasteurized
8 by the seller; or

9 (B) Raw eggs, meat, poultry, or foods containing
10 these raw animal foods requiring cooking by the
11 consumer as recommended by the federal Food and
12 Drug Administration in Chapter 3, part 401.11 of
13 the Food Code, published by the Food and Drug
14 Administration, as amended or renumbered, to
15 prevent foodborne illness.

16 Prepared food does not include the following food or food
17 ingredients:

18 (1) Food sold in an unheated state by weight or volume as
19 a single item; or

20 (2) Bakery items, such as bread, rolls, buns, biscuits,
21 bagels, croissants, pastries, donuts, danish, cakes,



1 tortes, pies, tarts, muffins, bars, cookies or
2 tortillas.

3 "Soft drinks" means nonalcoholic beverages that contain
4 natural or artificial sweeteners. Soft drinks do not include
5 beverages that contain:

- 6 (1) Milk or milk products;
7 (2) Soy, rice or similar milk substitutes; or
8 (3) Greater than fifty percent vegetable or fruit juice by
9 volume.

10 "Tobacco" means cigarettes, cigars, chewing or pipe
11 tobacco, or any other item that contains tobacco."

12 SECTION 3. Chapter 237, Hawaii Revised Statutes, is
13 amended by adding a new section to be appropriately designated
14 and to read as follows:

15 "§237- Exemption for medical services. (a) There shall
16 be exempted from, and excluded from the measure of, the taxes
17 imposed by this chapter all of the gross proceeds arising from
18 the sale of medical services.

19 (b) As used in this section, "medical services" means:
20 Professional services provided by hospitals, medical clinics and
21 facilities that are licensed by the appropriate state agencies



1 and services are rendered under chapters 436E, 442, 447, 448,
2 448B, 451A, 451J, 451K, 452, 453, 453D, 455, 457, 457A, 457G,
3 458, 459, 460, 461, 461J, 463E, 465, 465D, 466D, 466J, and
4 468E."

5 SECTION 4. Chapter 237, Hawaii Revised Statutes, is
6 amended by adding a new section to be appropriately designated
7 and to read as follows:

8 "§237- Exemption for feminine hygiene products. (a)

9 There shall be exempted from, and excluded from the measure of,
10 the taxes imposed by this chapter all of the gross proceeds
11 arising from the sale of feminine hygiene products.

12 (b) As used in this section, "feminine hygiene product"
13 means: a sanitary napkin, sanitary towel, tampon, panty liner,
14 douche, feminine hygiene syringes, menstrual cup, sanitary pad,
15 or vaginal creams, foams, ointments, jellies, powders, and
16 sprays used for hygiene purposes."

17 SECTION 5. In codifying the new sections added by sections
18 2,3, and 4 of this Act, the revisor of statutes shall substitute
19 appropriate section numbers for the letters used in designating
20 the new sections in this Act.

21 SECTION 6. New statutory material is underscored.



1 SECTION 7. This act shall take effect upon its approval
2 and shall apply to taxable years beginning after December 31,
3 2020.

INTRODUCED BY:

Cynthia Shields
Jan Matus
Ken Wood
Val
Rebecca

JAN 16 2020



H.B. NO. 1828

Report Title:

General Excise Tax; Food, Medical Services, and Feminine Hygiene Products Tax Exemption

Description:

Exempts certain foods, medical services, and feminine hygiene products from the general excise tax.

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

