
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 one of
2 the highest costs of living in the nation. The general excise
3 tax is levied on nearly all economic activity, which creates a
4 highly regressive tax system that disproportionately affects
5 low-income and middle-class families. Since businesses are
6 required to pay general excise taxes out of their gross
7 receipts, those taxes are passed on to customers in the form of
8 higher prices.

9 Food is a major expense for Hawaii families. In 2014, the
10 average two-person household's annual food expenditure was
11 \$9,978 in Maui county, \$9,901 in Kauai county, \$9,467 in
12 Honolulu county, and \$7,676 in Hawaii county. Exempting food
13 from the general excise tax would save an average two-person
14 household over \$400 each year. This savings is significantly
15 more than the existing food income tax credit for low-income
16 families. Larger households would have an even greater savings.



1 The legislature finds that thirty-two states, plus the
2 District of Columbia, exempt groceries from their sales taxes,
3 and another six states tax groceries at lower rates than other
4 goods. It is time for Hawaii to join the majority of states and
5 exempt groceries from the general excise tax.

6 The cost of health care is another major expense for local
7 families. The legislature finds only a handful of states,
8 including Hawaii, tax medical and dental services. Forty-one
9 states exclude medical services from their sales taxes.
10 Additionally, each practicing physician creates an average of
11 13.84 jobs and \$2.2 million in annual economic output. Hawaii's
12 general excise tax policy burdens the ability of medical
13 professionals to support the local community and makes their
14 services more expensive for residents.

15 Feminine hygiene products are also another necessity
16 subject to the general excise tax. On average, women spend \$300
17 a year on feminine hygiene products. Several states with
18 statewide sales or excise taxes exempt feminine hygiene products
19 from taxation. Hawaii should follow these states by exempting
20 feminine hygiene products from the general excise tax.



1 The legislature finds that because the general excise tax
2 affects almost all areas of economic activity, it adds costs to
3 basic expenses like food and medical care and makes it difficult
4 for average families to afford them. The purpose of this Act is
5 to help lower the cost of living in Hawaii by exempting food,
6 medical services, and feminine hygiene products from the general
7 excise tax.

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

11 §237- Amounts not taxable for food. (a) The excise tax
12 assessed under this chapter shall not apply to amounts received
13 for food or food ingredients.

14 (b) The excise tax assessed under this chapter shall apply
15 to food or food ingredients purchased by a vendor, retailer,
16 restaurant, or other third-party purchaser, that are furnished,
17 prepared, or served as meals, except:

18 (1) In the case of persons sixty years of age or over, or
19 who receive supplemental security income benefits, or
20 disability or blindness payments under Title I, II, X,
21 XIV, or XVI or the Social Security Act (42 U.S.C. 301



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

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

21 (3) In the case of disabled or blind recipients of



1 benefits under Title I, II, X, XIV, or XVI or the
2 Social Security Act (42 U.S.C. 301 et seq., 401 et
3 seq., 1201 et seq., 1351 et seq., 1381 et seq.), who
4 are residents in a public or private nonprofit group
5 living arrangement that serves no more than sixteen
6 residents and is certified by the appropriate state
7 agency or agencies, meals prepared and served under
8 such arrangement;

9 (4) In the case of women and children temporarily residing
10 in public or private nonprofit shelters for battered
11 women and children, meals prepared and served by such
12 shelters; and

13 (5) In the case of households that do not reside in
14 permanent dwellings and households that have no fixed
15 mailing addresses, meals prepared for and served by a
16 public or private nonprofit establishment approved by
17 an appropriate state or local agency that feeds such
18 individuals by private establishments that contract
19 with the appropriate agency of the State to offer
20 meals for such individuals at concessional prices.

21 (c) As used in this section:



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

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

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

8 (A) A vitamin;

9 (B) A mineral;

10 (C) An herb or other botanical element;

11 (D) An amino acid;

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

17 (2) Is intended for ingestion in tablet, capsule, powder,
18 softgel, gelcap, or liquid form, or if not intended
19 for ingestion in such form, is not represented as
20 conventional food and is not represented for use as a
21 sole item of a meal or of a diet; and



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

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

16 "Prepared food" means:

17 (1) Food sold in a heated state or heated in by the
18 seller;

19 (2) Food sold with eating utensils provided by the seller,
20 including plates, knives, forks, spoons, chopsticks,
21 glasses, cups, napkins, or straws. A plate does not



1 include a container or packaging used to transport the
2 food; or

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

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

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

14 Prepared food does not include the following food or food
15 ingredients:

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

18 (2) Bakery items, such as bread, rolls, buns, biscuits,
19 bagels, croissants, pastries, donuts, danish, cakes,
20 tortes, pies, tarts, muffins, bars, cookies or
21 tortillas.



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

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

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

10 SECTION 3. 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- Exemption for medical services. (a) There shall
14 be exempted from, and excluded from the measure of, the taxes
15 imposed by this chapter all of the gross proceeds arising from
16 the sale of medical services.

17 (b) As used in this section, "medical services" means:
18 Professional services provided by hospitals, medical clinics and
19 facilities that are licensed by the appropriate state agencies
20 and services are rendered under chapters 436E, 442, 447, 448,
21 448B, 451A, 451J, 451K, 452, 453, 453D, 455, 457, 457A, 457G,



1 458, 459, 460, 461, 461J, 463E, 465, 465D, 466D, 466J, and
2 468E."

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

6 "§237- Exemption for feminine hygiene products. (a)

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

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

15 SECTION 5. In codifying the new sections added by sections
16 2,3, and 4 of this Act, the revisor of statutes shall substitute
17 appropriate section numbers for the letters used in designating
18 the new sections in this Act.

19 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.
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JAN 21 2020



H.B. NO. 2241

Report Title:

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

Description:

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

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