

JAN 18 2019

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 the cost of living
2 in Hawaii is extremely high and too many residents are
3 struggling to pay for housing, food, and medication. Much
4 attention is currently being given to building more affordable
5 housing, which is needed, but will take a significant amount of
6 time to provide relief to residents.

7 The legislature further finds that one way Hawaii can
8 provide immediate relief from the high cost of living is to
9 exempt groceries from the general excise tax for all residents.
10 This exemption would provide the greatest relief to lower- and
11 gap-income residents, who spend a greater proportion of their
12 income on basic necessities, while maintaining tax revenues from
13 our visitor population who tend to eat in restaurants. The
14 State could minimize loss of revenue by limiting the general
15 excise tax exemption to groceries that are eligible under the
16 Supplemental Nutrition Assistance Program (SNAP), which would
17 also encourage people to eat healthy foods, which may result in



1 improved public health. Lastly, this exemption can be
2 implemented at little to no cost, as every grocery store and
3 convenience store has already coded foods that are eligible
4 under SNAP and could easily eliminate charging the general
5 excise tax on these purchases for every customer.

6 The legislature additionally finds that exempting
7 prescription medications from the general excise tax will
8 provide immediate relief to our kupuna on fixed incomes and ill
9 residents who may be forced to take leave from work and are
10 living on a reduced income.

11 The purpose of this Act is to establish a general excise
12 tax exemption on the gross proceeds or income from the sale of:

- 13 (1) Groceries that are eligible for purchase under SNAP,
14 regardless of the means of purchase and the SNAP
15 eligibility of the purchaser; and
16 (2) Prescription drugs.

17 SECTION 2. Chapter 237, Hawaii Revised Statutes, is
18 amended by adding two new sections to be appropriately
19 designated and to read as follows:

20 "§237- Supplemental Nutrition Assistance Program
21 eligible groceries exemption. (a) There shall be exempted



1 from, and excluded from the measure of, the taxes imposed by
2 this chapter all of the gross proceeds or income received from
3 the sale of all groceries eligible for purchase under the
4 Supplemental Nutrition Assistance Program within the State,
5 regardless of the means of purchase and the eligibility of the
6 purchaser for Supplemental Nutrition Assistance Program
7 benefits.

8 (b) For purposes of this section, the following terms
9 shall have the following meanings:

10 "Alcoholic beverages" means beverages that are suitable for
11 human consumption and contain one-half per cent or more of
12 alcohol by volume.

13 "Dietary supplements" means nutritional food supplements
14 that are intended to provide nutrients that are missing from a
15 person's diet or nutrients that are not consumed in sufficient
16 quantity, such as vitamins, minerals, fiber, fatty acids, or
17 amino acids.

18 "Food" or "food product" means substances, whether in
19 liquid, concentrated, solid, frozen, dried, or dehydrated form,
20 that are sold for ingestion or chewing by humans and are
21 consumed for their taste or nutritional value. "Food" or "food



1 product" does not include alcoholic beverages, tobacco, prepared
2 food, soft drinks, or dietary supplements.

3 "Groceries" means any food or food product for home
4 consumption. The term "groceries" may be further defined by the
5 department by rule through the enumeration of items in rules or
6 tax informational releases; provided that the department shall
7 consult with the federal Food and Nutrition Service of the
8 United States Department of Agriculture in further defining the
9 term "groceries" for purposes of the Supplemental Nutrition
10 Assistance Program.

11 "Soft drinks" means non-alcoholic beverages that contain
12 natural or artificial sweeteners. "Soft drinks" does not
13 include beverages that contain:

- 14 (1) Milk or milk products;
15 (2) Soy, rice, or similar milk substitutes; or
16 (3) Greater than fifty per cent vegetable or fruit juice
17 by volume.

18 §237- Prescription drug exemption. There shall be
19 exempted from, and excluded from the measure of, the taxes
20 imposed by this chapter all of the gross proceeds or income



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1 arising from the sale of prescription drugs, as defined in
2 section 328-1."

3 SECTION 3. New statutory material is underscored.

4 SECTION 4. This Act shall take effect on July 1, 2019.

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INTRODUCED BY:

















S.B. NO. 1053

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

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