



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 03/13/2019

Time: 09:50 AM

Location: 309

Committee: House Economic Development &
Business

House Lower & Higher Education

Department: Education

Person Testifying: Dr. Christina M. Kishimoto, Superintendent of Education

Title of Bill: SB 1158, SD2 RELATING TO SCHOOL SUPPLIES.

Purpose of Bill: Establishes a general excise tax holiday for consumers and businesses for school supplies sold during the weekend beginning with the last Friday in July; provided that businesses pass the savings on to consumers. Effective 7/1/2050. (SD2)

Department's Position:

The Department of Education (Department) supports the intent of SB 1158, SD2, with the following comments.

The Department acknowledges that the tax holiday provisions of this bill could provide appreciated cost savings to parents and families of the approximately 180,000 students in the Department's 256 schools statewide. The Department defers to the appropriate state agency to comment on the feasibility, appropriateness, implementation, and cost to the State for such a tax holiday.

Thank you for the opportunity to testify on this measure.

The Hawaii State Department of Education seeks to advance the goals of the Strategic Plan which is focused on student success, staff success, and successful systems of support. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at www.hawaiipublicschools.org.

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**STATE OF HAWAII
DEPARTMENT OF TAXATION**

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To: The Honorable Angus L.K. McKelvey, Chair
and Members of the House Committee on Economic Development & Business

The Honorable Justin H. Woodson, Chair
And Members of the House Committee on Lower & Higher Education

Date: Wednesday, March 13, 2019

Time: 9:50 A.M.

Place: Conference Room 309, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 1158, S.D. 2, Relating to School Supplies

The Department of Taxation (Department) provides the following comments regarding S.B. 1158, S.D. 2, for your consideration.

S.B. 1158, S.D. 2, establishes a general excise tax holiday for consumers and businesses for school supplies sold on the last weekend of the last Friday in July. The measure has a defective effective date of July 1, 2050.

First, the Department has concerns regarding its ability to determine whether the business has passed on the savings on to the consumer. Businesses set prices based on a multitude of variables, and it would be impossible to prove that a business has not passed on the tax savings. The customer can only know whether or not the business has passed on the tax, but not whether the price charged is reflective of this savings.

Finally, if the Committee wishes to insert a non-defective effective date, the Department respectfully requests that the effective date be made no earlier than January 1, 2020 to allow sufficient time to administer the tax holiday proposed by this measure.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE TAX, Tax Holiday for School Supplies

BILL NUMBER: SB 1158, SD-2

INTRODUCED BY: Senate Committee on Ways & Means

EXECUTIVE SUMMARY: Establishes a general excise tax holiday for consumers and businesses for school supplies sold during the weekend prior to the start of the school year on condition that businesses pass the savings on to consumers. The holiday provisions may be unconstitutional to the extent they exclude orders from businesses operating outside Hawaii.

SYNOPSIS: Adds a new section to chapter 237, HRS.

Provides that general excise taxes are not due on the sale of school supplies on the last Friday in July each year, beginning at 12:01 a.m., and ending on the following Sunday at 11:59 p.m., provided that all savings shall be passed on to the purchaser without any increase in price.

Does not apply to (1) rebates, layaway sales, rain checks, or exchanges when the transactions occur before or after the tax holiday period; and (2) mail, telephone, electronic mail, or internet orders with businesses operating outside the State of Hawaii.

Specifies that articles normally sold as a unit are not to be broken down as individual items to obtain the exemption.

States that shipping and handling charges are included as part of the sales price of an item.

States that the retailer shall not be required to obtain any special license, permit, or other documentation of sales during the exemption holiday period; provided that the retailer's records shall clearly identify the type of item sold, the date the item was sold, and the sales price of the item.

Defines "school supply" as an item commonly used by a student in a course of study and includes the items set out in the following all-inclusive list: binders, book bags, calculators, cellophane tape, blackboard chalk, compasses, composition books, crayons, erasers, expandable folders, pocket folders, plastic folders, manila folders, glue, paste, paste sticks, highlighters, index cards, index card boxes, legal pads, lunch boxes, markers, notebooks, loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, construction paper, pencil boxes and other school supply boxes, pencil sharpeners, pencils, pens, protractors, rulers, scissors, and writing tablets. "School supply" excludes all items not listed.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: Sales tax holidays have been used in many states, and the Federal Reserve Bank of Chicago has conducted a study concluding that sales during tax holidays, households increase the quantities of clothing and shoes bought by over 49% and 45%, respectively, relative to what they buy on average. [Federal Reserve Bank of Chicago, *The Effect of Sales Tax Holidays on Household Consumption Patterns*, July 2010](#). [Wikipedia](#) lists the following chart of established holidays:

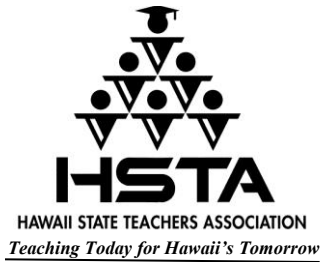
State or Jurisdiction	Items Included	Period	Days
Alabama ^[6]	clothing, computers, school supplies, books / severe weather preparedness	3rd weekend in July / last weekend in February	3
Arkansas ^[7]	clothing, school supplies, books	1st weekend in August	2
Connecticut	clothing	3rd week in August	7
District of Columbia ^[8]		Repealed	
Florida	clothing, school supplies, books	2nd week in August	3
Georgia	clothing, school supplies, computers	1st weekend of August: REPEALED FOR 2017	4
Iowa	clothing	1st weekend of August	2
Louisiana ^[9]	all TPP - \$2,500, hurricane preparedness items - \$1,500, firearms, ammunition and hunting supplies	1st weekend of September	2
Massachusetts ^[10]	Most items for which the sales tax would normally apply; purchases up to \$2500 included	2nd weekend of August	2
Maryland ^[11]	clothing & footwear	August 14–20	7
	Energy star products	Feb. 19-21, 2011	3
Missouri ^[12]	clothing, school supplies, computers	1st weekend in August	3
New Mexico	clothing, school supplies, computers	1st weekend of August	3
North Carolina	Repealed as of July 1, 2014		
Oklahoma	clothing	1st weekend of August	3
South Carolina	clothing, school supplies, computers	1st weekend of August	3
Tennessee ^[13]	clothing, school supplies, computers	Last Friday of July	3
Texas ^[14]	clothing, diapers, backpacks, school supplies	3rd weekend of August	3
Virginia	clothing, school supplies, green appliances, hurricane preparedness items	May, August, October	3

Next, we wonder why books that a school requires a student to purchase do not qualify as school supplies.

We have concerns about the definition of school supplies, which contains both “means” and “includes” provisions that appear to conflict. To resolve the conflict, we suggest the following:

(f) For purposes of this section, "school supply" means ~~[an item commonly used by a student in a course of study and includes the items set out in the following all-inclusive list]~~: binders, book bags, calculators, cellophane tape, blackboard chalk, compasses, composition books, crayons, erasers, expandable folders, pocket folders, plastic folders, manila folders, glue, paste, paste sticks, highlighters, index cards, index card boxes, legal pads, lunch boxes, markers, notebooks, loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, construction paper, pencil boxes and other school supply boxes, pencil sharpeners, pencils, pens, protractors, rulers, scissors, and writing tablets. "School supply" excludes all items not listed in this definition.

Digested 3/8/2019



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TESTIMONY BEFORE THE HOUSE COMMITTEES ON
ECONOMIC DEVELOPMENT AND LOWER & HIGHER EDUCATION

RE: SB 1158, SD2 - RELATING TO SCHOOL SUPPLIES

WEDNESDAY, MARCH 13, 2019

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair McKelvey, Chair Woodson, and Members of the Committees:

The Hawaii State Teachers Association **strongly supports SB 1158, SD2** that will establish a general excise tax holiday for consumers and businesses for school supplies sold during the weekend prior to the start of the school year on condition that businesses pass the savings on to consumers.

The Hawaii State Teachers Association is the exclusive representative of the state's 13,700 public school teachers, as the local affiliate of the 2.2 million member National Education Association. This measure would provide relief from the general excise tax when purchasing school supplies the weekend before the start of school.

With the high cost of living here in Hawaii this measure will provide much needed relief for parents as well teachers as they buy the required school supplies that all students and teachers need to be ready for the school year. The high cost of school supplies for families, especially multiplied for each child, is expensive each year. We should join other states in offering this excise tax holiday for school supplies to support our families in Hawaii.

The Hawaii State Teachers Association asks your committee to **support** SB 1158, SD2.



**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
March 13, 2019**

Re: SB 1158 SD2 Relating to School Supplies

Good morning Chairperson McKelvey and Chairperson Woodson and members of the House Committee on Economic Development and Business and the Committee on Lower & Higher Education. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii (RMH) as founded in 1901 and is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. The retail industry is one of the largest employers in the state, employing 25% of the labor force.

We are **STRONGLY IN SUPPORT** of SB 1158 SD2 Relating to School Supplies. This bill would establishes a general excise tax (GET) holiday for consumers and businesses for school supplies sold during the weekend beginning with the last Friday in July, provided that businesses pass the savings on to consumers.

The National Retail Federation estimates that this past year alone families with children in elementary through high school spent an average \$684.79 each. That would include about \$122 on supplies like notebooks, pencils, backpacks and lunchboxes alone.

Every year parents and students are looking for the best deals for school supplies. A GET holiday would help our customers with school age children purchase these much needed supplies while saving some money.

We would like to see the **definition expanded to include computers, lap tops, electronic tablets and thumb drives** as these too are items that have become part of our everyday life that are used as modern day school supplies to assist with school and home work.

Mahalo again for this opportunity to testify.