
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. According
4 to data from the Missouri Economic Research and Information
5 Center, Hawaii had the highest cost of living in 2019.

6 The legislature further finds that the general excise tax
7 is levied on nearly every economic activity, which, due to the
8 highly regressive structure of the tax, disproportionately
9 affects low-income and middle-class families. The regressive
10 nature of Hawaii's general excise tax makes it difficult for
11 some families to afford basic life necessities, such as food,
12 medicine, and diapers. Coupled with the high cost of living,
13 the coronavirus disease 2019 (COVID-19) pandemic has further
14 exacerbated the problem of local families and individuals being
15 unable to afford these necessities.

16 Diapers are a large expense for Hawaii families with small
17 children and are essential to the health of babies and toddlers



1 as they each require about fifty diaper changes per week, or
2 roughly two hundred diaper changes per month. However,
3 according to the National Diaper Bank Network, one in three
4 families struggle to afford clean diapers for their children.

5 Hawaii children who come from low-income families are at-
6 risk regarding their diaper needs. According to the National
7 Diaper Bank Facts on Hawaii, eleven per cent of Hawaii families
8 are recipients of supplemental nutrition assistance program
9 benefits with children under the age of five; twenty-three per
10 cent of Hawaii families are women, infants, and children program
11 benefit recipients with infant children; and thirty-three per
12 cent of Hawaii families receive temporary assistance for needy
13 families benefits with at least one child under the age of
14 three. The maximum amount a family of one parent and two
15 children can receive in Temporary Assistance for Needy Families
16 benefits is \$610. It is estimated that thirteen per cent of
17 this maximum benefit goes toward diaper needs. Additionally,
18 thirty-one per cent of Hawaii families have births covered by
19 Medicaid. Data show that there is a significant number of
20 families who are at risk of not having enough financial



1 resources to provide necessities, including food, medicine, and
2 diapers, for their children.

3 Many child care facilities require parents to provide
4 diapers for their children. Families that do not have access to
5 clean diapers cannot access child care and often miss work,
6 which reduces their monthly income. Hawaii currently has two
7 National Diaper Bank Network member diaper banks that provide
8 diapers to families; however, these banks do not meet the needs
9 of all families who struggle to provide clean diapers for their
10 children. According to the National Diaper Bank, an average
11 monthly supply of diapers costs approximately \$80. According to
12 the American Academy of Pediatrics (AAP), families may spend
13 close to \$1,000 on disposable diapers during the first year of a
14 child's life, which does not include the costs of diaper wipes,
15 diaper creams, and other diapering items.

16 Dirty diapers also put healthy children at risk of various
17 diseases due to parasites, bacteria, and viruses linked to dirty
18 diapers. Dirty diapers can cause diaper rash or diaper
19 dermatitis, including *Candida*, a type of yeast infection, and
20 *Seborrhea*, a type of infectious skin condition caused when skin
21 is exposed to moisture, friction, urine, stool, or other skin



1 irritants. Other germs found in dirty diapers are salmonella,
2 listeria, and norovirus, which can cause a healthy child to
3 quickly fall ill. According to AAP, hepatitis A is the most
4 common viral infection found in dirty diapers, which can lead to
5 other hepatitis-related infections. AAP also found that certain
6 diaper dermatitis can lead to bladder infections that can cause
7 urinary tract infections, which more commonly affect girls.

8 The legislature notes that the COVID-19 pandemic has led to
9 over two hundred fifty thousand workers in Hawaii losing their
10 jobs, leaving all those families to suffer financially. The
11 legislature further notes that thirty-two states, plus the
12 District of Columbia, currently exempt most foods purchased for
13 consumption at home from the state sales tax. The legislature
14 also finds that there are several other states that exempt
15 diapers from sales or excise taxes, while Hawaii does not.

16 The legislature believes that Hawaii should follow the lead
17 of these states by exempting certain necessities from the
18 general excise tax. Exempting certain food, nonprescription
19 drugs, and diapers from the general excise tax will help many
20 families that have been impacted negatively by the COVID-19
21 pandemic and allow them to maintain the health of their



1 families. In addition, workers and their families who may save
2 money on these purchases will be able to spend that money
3 elsewhere in the economy, thus allowing the money to continue to
4 circulate, which will help many businesses and continue to
5 generate revenue for the State.

6 Accordingly, the purpose of this Act is to help alleviate
7 the general excise tax burden on local families and individuals
8 by establishing general excise tax exemptions for the gross
9 proceeds or income derived from the:

- 10 (1) Sale of food and food ingredients in the State;
11 (2) Sale of nonprescription drugs in the State; and
12 (3) Manufacture, production, packaging, and sale of
13 diapers in the State.

14 SECTION 2. Chapter 237, Hawaii Revised Statutes, is
15 amended by adding three new sections to be appropriately
16 designated and to read as follows:

17 "§237- Exemption for sales of food. There shall be
18 exempted from, and excluded from the measure of, the taxes
19 imposed by this chapter all of the gross proceeds or income
20 arising from the sale of Supplemental Nutrition Assistance



1 Program-eligible items; provided that soft drinks shall not be
2 exempted by this section.

3 §237- Exemption for nonprescription drugs. (a) There
4 shall be exempted from, and excluded from the measure of, the
5 taxes imposed by this chapter all of the gross proceeds or
6 income received from the sale of nonprescription drugs.

7 (b) For the purposes of this section:

8 "Drug" means:

9 (1) Articles recognized in the official United States
10 Pharmacopoeia, official United States Pharmacopoeia
11 Dispensing Information, official Homeopathic
12 Pharmacopoeia of the United States, or official
13 National Formulary, or any supplement to any of these
14 publications;

15 (2) Articles intended for use in the diagnosis, cure,
16 mitigation, treatment, or prevention of disease in
17 humans or animals;

18 (3) Articles, other than food or clothing, intended to
19 affect the structure or any function of the body of
20 humans or animals; or



1 (4) Articles intended for use as a component of any
2 article specified in paragraph (1), (2), or (3);
3 provided that the term "drug" does not include devices
4 or their components, parts or accessories, cosmetics,
5 or liquor as defined in section 281-1.

6 "Nonprescription drug" means any packaged, bottled, or
7 nonbulk chemical, drug, or medicine that may be lawfully sold
8 without a practitioner's order; provided that "nonprescription
9 drug" does not include cannabis or manufactured cannabis
10 products authorized pursuant to chapters 329 and 329D.

11 §237- Exemption for diapers. (a) There shall be
12 exempted from, and excluded from the measure of, the taxes
13 imposed by this chapter all the gross proceeds or income arising
14 from the manufacture, production, packaging, and sale of diapers
15 within the State.

16 (b) For the purposes of this section, "diaper" means an
17 absorbent garment that:

18 (1) Is washable or disposable that may be worn by an
19 infant or toddler who is not toilet-trained; and

20 (2) If disposable:

21 (A) Does not use any latex or common allergens; and



1 (B) Meets or exceeds the quality standards for
2 diapers commercially available through retail
3 sale in the following categories:

- 4 (i) Absorbency (with acceptable rates for first
5 and second wetting);
6 (ii) Waterproof outer cover;
7 (iii) Flexible leg openings; and
8 (iv) Refastening closures."

9 SECTION 3. New statutory material is underscored.

10 SECTION 4. This Act shall take effect on July 1, 2050.



Report Title:

General Excise Tax Exemption; Food and Food Ingredients;
Nonprescription Drugs; Diapers

Description:

Establishes a general excise tax exemption for the gross proceeds or income derived from the: (1) sale of food; (2) sale of nonprescription drugs; and (3) manufacture, production, packaging, and sale of diapers. Effective 7/1/2050. (SD1)

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

