

STAND. COM. REP. NO.

66

Honolulu, Hawaii

FEB 10 2021

RE: S.B. No. 361
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 361 entitled:

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to provide a general excise tax exemption for certain food or food ingredients.

Your Committee received testimony in support of this measure from the Hawaii Food Industry Association, Iron Workers Stabilization Fund, Hawai'i Farm Bureau, Maui Chamber of Commerce, and Retail Merchants of Hawaii. Your Committee received testimony in opposition to this measure from Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that Hawaii has the highest cost of living in the nation and food is a major expense for Hawaii families. Food insecurity affects one out of every eight residents. Additionally, Hawaii's general excise tax, applied to almost all goods and services, affects lower income and working-class individuals almost ten times greater than those in the top one percent of Hawaii income earners. This measure will provide the greatest effects of lower income and working class households in Hawaii, who spend a larger proportion of their income on food



and other essential items. Your Committee further finds that the economic crisis caused by the coronavirus disease-2019 (COVID-19) pandemic has exacerbated the preexisting struggles faced by Hawaii families.

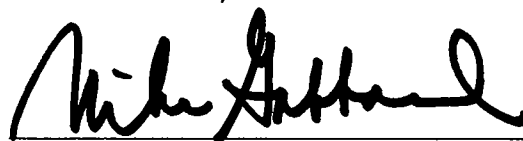
Your Committee notes the concerns of the Department of Taxation that the definitions of "food", "food ingredients", and "prepared foods" do not fully actualize the Legislature's desired goals of providing economic relief to struggling Hawaii families. Therefore, amendments to this measure are necessary to address these concerns.

Your Committee has amended this measure by:

- (1) Clarifying that the exemption from the general excise tax applies to the gross proceeds or income arising from the sale of eligible items under the Supplemental Nutrition Assistance Program, to provide the greatest relief to lower-income tax residents and encourage residents to eat healthy foods;
- (2) Making it applicable to tax years beginning after December 31, 2021; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Agriculture and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 361, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 361, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Agriculture and
Environment,




MIKE GABBARD, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:* SB 361	Committee Referral: AEN, WAM	Date: 02/05/2021		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	✓			
NISHIHARA, Clarence K. (VC)	✓			
ACASIO, Laura	✓			
RHOADS, Karl	✓			
FEVELLA, Kurt	✓			
TOTAL	5			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes