

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Joy A. San Buenaventura, Chair;
The Honorable Les Ihara, Jr., Vice Chair;
and Members of the Senate Committee on Human Services

From: Isaac W. Choy, Director
Department of Taxation

Date: February 16, 2021
Time: 3:00 P.M.
Place: Via Videoconference, Hawaii State Capitol

Re: S.B. 608, Relating to Relating to General Excise Tax Exemptions

The Department of Taxation (Department) offers the following comments regarding S.B. 608 for your consideration. S.B. establishes two new sections to chapter 237, Hawaii Revised Statutes (HRS), which governs the general excise tax (GET). The measure is effective January 1, 2022.

The first section exempts from GET amounts received for all groceries eligible for purchase under the U.S. Department of Agriculture (USDA)'s Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), regardless of means of purchase or a taxpayer's actual eligibility for either of the two programs. "Groceries" are defined as any food or food product for home consumption, and authorizes the Department to further define "groceries" in consultation with the USDA.

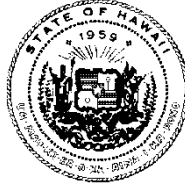
The second section exempts from GET amounts received from the sale of nonprescription drugs, meaning "any packaged, bottled, or nonbulk chemical, drug, or medicine that may be lawfully sold without a practitioner's order."

While the Department appreciates the flexibility to further define "groceries" in order to effectuate this new exemption of SNAP- and WIC-eligible foods from the GET, the Department suggests amending the measure's definition section to reference the relevant federal law and regulation(s) that govern the SNAP definition of "Eligible foods": 7 U.S.C. section 2012(k), and 7 C.F.R. section 271.2. This will give the Department a relevant authority to point to when it promulgates new forms, instructions, and Tax Information Releases relating to this new GET exemption.

Finally, the Department anticipates that it will be able to administer the bill by changing forms, instructions, and the computer system by the effective date.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR



CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 12, 2021

TO: The Honorable Senator Joy A. San Buenaventura, Chair
Senate Committee on Human Services

FROM: Cathy Betts, Director

SUBJECT: **SB 608 – RELATING TO GENERAL EXCISE TAX EXEMPTIONS.**

Hearing: Tuesday, February 16, 2021, 3:00 p.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this bill, though the proposed provisions may be unnecessary. DHS provides the following comments and information about the value of the Supplemental Nutrition Program (SNAP) in Hawaii.

PURPOSE: The purpose of the bill is to establish 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 (SNAP) or Special Supplemental Nutrition Program for Women, Infants, and Children, regardless of the means of purchase and the program eligibility of the purchaser. Establishes a general excise tax exemption for the gross proceeds or income from the sale of nonprescription drugs.

DHS appreciates the intent of aim of the measure to help Hawaii's "many families that have been impacted negatively by the COVID-19 pandemic and allow them to put food on the table and maintain the health of their families." However, as the preamble describes, no general excise tax is charged on eligible food purchases under SNAP, and the proposed tax exemption is not currently necessary as federal law does not allow States to participate in the

SNAP program if it is found to be collecting state or local sales tax on food purchases with SNAP benefits.

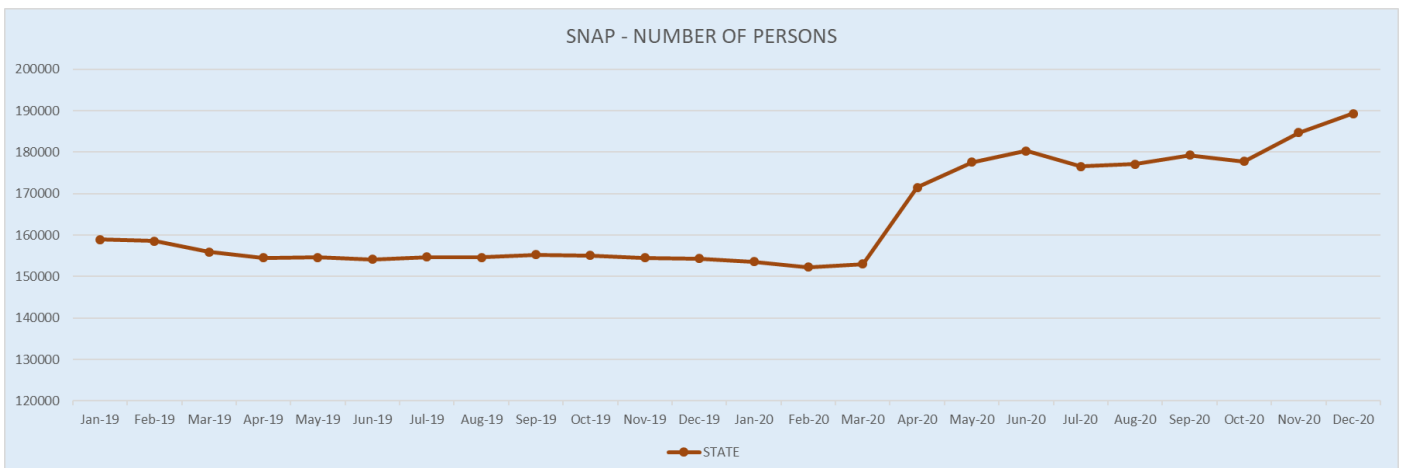
The SNAP program is 100% federally funded by the United States Department of Agriculture’s Food and Nutrition Service (FNS), and the program rules and authority to require no sales taxes on food stamp purchases are described at 7 U.S.C. 2011-2036. Specifically, the prohibition of a State's participation in the SNAP program if it collects State or local sales taxes on SNAP purchases is at 7 U.S.C. 2013.

SNAP benefits are issued by individual States and redeemable at any authorized FNS SNAP retailer. FNS may terminate the issuance of benefits and disallow administrative funds in any State where taxes are collected against food purchased with SNAP benefits.

The Food and Nutrition Act of 2008 defines eligible food as any food or food product for home consumption by SNAP households. Items ineligible for SNAP include beer, wine, liquor, cigarettes or tobacco, any nonfood items (such as pet foods, soaps, paper products and household supplies, vitamins and medicines), and food that will be eaten in the store. SNAP eligible food is defined by FNS and may be reviewed at the following website:

<https://www.fns.usda.gov/snap/eligible-food-items>.

The multiple impacts of COVID-19 on Hawaii's individuals and families have been tremendous, and more residents are enrolled in the SNAP program. The table below shows the change in SNAP case load since January 2019 through December 2020: as of December 2020, SNAP enrollees have increased to nearly **190,000** residents.



DHS worked with the USDA FNS, the Department of Education, and Charter Schools to issue **\$61,188,488** in two rounds of Pandemic EBT (P-EBT) nutrition benefits to families of children who attend public or charter schools and receive free or reduced lunch or attend a public school with free lunch. Our plan to distribute our 3rd round of P-EBT is pending FNS review.

Pandemic EBT (P-EBT)			
	Round 1	Round 2	
SNAP-Households			
Number of Students:	44,202	51,608	
Number of families:	23,264	31,406	
Benefit amount:	\$15,792,331	\$14,662,607	
Non-SNAP Households			
Number of Students:	49,327	46,380	
Number of families:	28,823	33,465	
Benefit amount:	\$17,644,919	\$13,088,631	
Total Benefits:	\$33,437,250	\$27,751,238	\$61,188,488

Individuals and families use SNAP benefits quickly, so while there is no sales tax collected on these purchases, Hawaii's food retailers, grocery and store employees, and Hawaii's economy benefit as these federal funds rapidly enter the economy at the community level.

Thank you for the opportunity to provide comments on this measure.

SB-608

Submitted on: 2/12/2021 9:43:40 AM

Testimony for HMS on 2/16/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Nakasone	Testifying for DHS	Comments	No

Comments:

Standing on DHS's submitted testimony offering comments, and available for questions.



1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiiifood.com

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Beau Oshiro, C&S Wholesale Grocers, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*

TO:
Committee on Human Services
Senator Joy A. San Buenaventura, Chair
Senator Les Ihara, Jr., Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 16, 2021
TIME: 3pm
PLACE: Via Videoconference

RE: SB608 Relating to General Excise Tax Exemptions

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

The economic crisis caused by the COVID-19 pandemic has hit Hawaii harder than any other state. More Hawaii families are struggling than ever before. This measure is a common sense way to immediately bring down the cost of living for all Hawaii residents. This will have the greatest benefit for lower income Hawaii households, who spend a larger proportion of their income on food and other essential items.

Hawaii has the highest cost of living of any state, and we are one of the only states where residents pay taxes on their groceries.

Food is a major expense for Hawaii families. According to 2019 USDA data a Thrifty Food Plan for a family of four in Hawaii is \$1176.00 a month, the national average for the same plan during the same period was \$654.10¹.

This means that even thrifty families are likely spending more on taxes when they buy groceries than they are getting back from the food excise tax credit.

¹ USDA Food Plans: Cost of Food Reports (monthly reports)
<https://www.fns.usda.gov/cnpp/usda-food-plans-cost-food-reports-monthly-reports>

Most states recognize that taxing groceries is regressive and disproportionately impacts lower income families. Thirty-two states plus the District of Columbia exempt groceries from their sales taxes, and another six states tax groceries at lower rates than other goods. It is time for Hawaii to join this majority.

While the food excise tax credit helps it is not a solution. Many families who are struggling will not get the full amount that they pay in food taxes back. Families also have to wait to access these funds until their taxes are filled each year, which does not have the same benefit as keeping the money in people's pockets or allowing it to circulate in the economy.

Hawaii's high cost of living is a constant topic of conversation and each year we see a lot of bills that try to address one segment of this problem or another. This year more than ever so many Hawaii families are struggling and need immediate relief. Exempting groceries from the GET is a comprehensive solution that would actually make it less expensive to live in Hawaii as soon as the measure is implemented. Designating SNAP eligible foods as those that are exempt from the GET is an efficient way to ensure that the exemption applies to the intended products.

Saving 4.712% on their grocery bill would mean that Hawaii families can put that money towards things like buying more fruits and vegetables, saving for retirement, and investing in their communities. Keeping the money in the local economy and in the hands of people that need it benefits everyone, especially lower income families.

For these reasons we encourage you to vote yes on this measure, we thank you for the opportunity to testify.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON HUMAN SERVICES
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
TUESDAY, FEBRUARY 16, 2021 AT 3:00 P.M.**

To The Honorable Joy A. San Buenaventura, Chair;
The Honorable Les Ihara, Jr., Vice Chair; and
Members of the Committee on Human Services,

SUPPORT SB608 RELATING TO THE GENERAL EXCISE TAX

My name is Pamela Tumpap. I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic in terms of our dependence on the visitor industry and corresponding rate of unemployment. I am writing to share our support of SB608.

We have asked that government look at ways they can address the high cost of living for many years. Housing, food, transportation, and healthcare are the highest expenses for Hawaii households and exempting food and nonprescription medications from the General Excise Tax is a step in the right direction.

Other avenues that would help bring down the cost of living include building affordable housing and rentals, reducing the cost of household utilities, addressing the gas tax, and increasing public transportation.

Mahalo for the opportunity to provide testimony and we ask that this bill be passed.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



INTERNATIONAL LONGSHORE & WAREHOUSE UNION

LOCAL OFFICE • 451 ATKINSON DRIVE • HONOLULU, HAWAII 96814 • PHONE 949-4161

HAWAII DIVISION: 100 West Lanikaula Street, Hilo, Hawaii 96720 • OAHU DIVISION: 451 Atkinson Drive, Honolulu, Hawaii 96814
MAUI COUNTY DIVISION: 896 Lower Main Street, Wailuku, Hawaii 96793 • KAUAI DIVISION: 4154 Hardy Street, Lihue, Hawaii 96766
HAWAII LONGSHORE DIVISION: 451 Atkinson Drive, Honolulu, Hawaii 96814

LOCAL 142

The Thirty-First Legislature
Regular Session of 2021

THE SENATE
Committee on Human Services
Senator Joy A. San Buenaventura, Chair
Senator Les Ihara, Jr., Vice Chair
State Capitol, Conference Room 225/Videoconference
Tuesday, February 16, 2021; 3:00 p.m.

STATEMENT OF THE ILWU LOCAL 142 ON S.B. 608 RELATING TO GENERAL EXCISE TAX EXEMPTIONS

Mahalo Chair Buenaventura, Vice Chair Ihara and members of the committee for scheduling S.B. 608.

The ILWU Local 142 **supports** S.B. 608, which establishes a general excise tax (GET) exemption for the gross proceeds or income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program or Special Supplemental Nutrition Program for Women, Infants, and Children, regardless of the means of purchase and the program eligibility of the purchaser and establishes a general excise tax exemption for the gross proceeds or income from the sale of nonprescription drugs.

As you know, hundreds of thousands of workers in Hawaii lost their jobs because of the COVID-19 pandemic and most of them are struggling to make ends meet. In fact, we just recently learned more than 580,500 UI claims were filed in 2020 showing just how bad the economy has been for workers throughout Hawaii. This translates to over half of the working population - a staggering and sobering amount.

Most workers have lost their health insurance, many are on the verge of eviction and many are struggling to provide for their families. Simply put, we need to help struggling working families in Hawaii. By exempting the regressive GET on groceries, working families could save more than \$500 a year while spending the additional money elsewhere in the economy. This is a win for working families and a win for many businesses throughout Hawaii. 32 states plus the District of Columbia exempt their sales tax from groceries and hopefully Hawaii can follow. In fact, Hawaii is one of only seven states that fully taxes groceries, which disproportionately affects lower-income families. By supporting S.B. 608, working families will get much needed financial relief.

This is an unprecedented time and one of these worst economic periods in Hawaii's history. Workers and their families need relief, and this bill will help provide much needed financial relief for working families.

We recommend passage of S.B. 608. Thank you for the opportunity to testify.

The Thirty-First Legislature, State of Hawai'i
Hawai'i State House of Representatives
Committee on Human Services

Testimony by
IATSE Local 665
February 15, 2021

S.B 608 - RELATING TO GENERAL EXCISE TAX EXEMPTIONS

Aloha Chair San Buenaventura, Vice Chair Ihara, and Members of the Senate Committee,

My name is Tuia'ana Scanlan. I currently serve as President of IATSE Local 665. We represent Entertainment Technicians in Live Events, Tradeshow & Conventions, and Film/TV industries across the State of Hawaii. We **strongly support** S.B. 608.

With the coronavirus pandemic creating dire situations for working families, S.B. 608 is intended to ease the burden on local working families who are struggling to put food on the table. By exempting SNAP and WIC eligible grocery items from the General Excise Tax, it will give greater access to food for Hawaii's working families.

It is a misnomer to say that people are merely "not working". Working people are being prevented from returning to the careers that they have trained their entire lives for to combat a public health crisis. Healthcare is often tied to employment. These are not mutually exclusive issues. In homes across the State of Hawaii, hard choices are being made between Rent/Mortgage, Utility bills, Healthcare, and Food. Local working families in Hawaii need the support that S.B. 608 provides.

We appreciate your consideration of our testimony and strongly encourage passage of S.B. 608.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Tuia'ana Scanlan', written in a cursive style.

Tuia'ana Scanlan
President
IATSE Local 665



United Food & Commercial Workers Union, Local 480
808 Factory Street, Honolulu, Hawaii 96819
Phone: 808 942.7778

Patrick K. Loo
President

Gwen K. Rulona
Secretary Treasurer

February 15, 2021

Hawaii Legislature
Senate
Human Services Committee

RE: SUPPORT SB 608 – Relating to General Excise Tax; Certain Groceries; Nonprescription drugs;
Exemption

Aloha Chair San Buenaventura, Vice-Chair Ihara and Members of the Committee,

United Food & Commercial Workers Union 480 is just one of the many voices for the working class people of Hawai'i and we have an obligation to not only our Union Members but their families as well. We take our duty in speaking up for all the livelihoods we are responsible for extremely seriously. With that being said, it is essential and imperative that we continue striving for the betterment of our community by **FULLY SUPPORTING SB 608.**

The COVIC-19 pandemic has really brought to the forefront this overdue need to address these tax issues. Most importantly, the General Excise Tax from groceries and over-the-counter medicine needs to be modified to mirror the exemption that thirty-two (32) states plus the District of Columbia have already adopted. Such a tax relief would immediately aid our working families who have been and continue to struggle with the purchase of food/medicine; especially in this pandemic where many may have lost jobs. The additional savings has the potential to not only help feed more of our island's children, kupuna, and community, but would translate into extra disposable income to be used toward other taxable goods; thereby, providing much needed boost for Hawaii's economy.

As it is, lives and livelihoods have been lost; but even in the midst of this, hope is alive and there are means to bring our community back to a place of thriving. Therefore, we implore you to partner with us for the sake of Hawai'i and its people by supporting SB 608. Mahalo.

Fraternally,

Patrick K. Loo
President

“A Union Preparing Today for the Needs of Tomorrow”



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirty-First Legislature, State of Hawaii
The Senate
Committee on Human Services

Testimony by
Hawaii Government Employees Association

February 16, 2021

S.B. 608 – RELATING TO GENERAL EXCISE TAX EXEMPTIONS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO raises serious concerns over the impact of general excise tax exemptions and therefore opposes the intent of S.B. 608 which provides an exemption for groceries and non-prescription drugs.

We will not mince words: both the short-term and long-term economic projections show that our state budget is in a severe crisis. While many steps have already been taken to mitigate the impact of the COVID-19 worldwide pandemic, there remains a delicate and precarious balance of our state finances. Hawai'i is not only reliant only upon a quick and smooth local vaccination rollout, but also a healthy and vibrant economy, therefore now is not the time to concede needed tax revenue. Without a comprehensive and thoughtful plan, the state will be forced to significantly increase taxes, or worse, create new taxes.

Now, more than ever, we cannot afford piecemeal legislation without considering the total financial picture. We must shore up our revenue picture so that we can recover together as a community. Therefore, we respectfully request the Committee defer this measure.

Thank you for the opportunity to testify in opposition to S.B. 608.

Respectfully submitted,

Randy Perreira
Executive Director



HAWAII TEAMSTERS & ALLIED WORKERS LOCAL 996

Affiliated with the International Brotherhood of Teamsters

Local996@hawaiiiteamsters.com

1817 Hart Street
Honolulu, HI 96819-3205

Telephone: (808) 847-6633
Fax: (808) 842-4575

Testimony to the Senate Committee on Human Services
February 16, 2021 ;3:00 pm *Via Videoconference*

Support for SB608- related to GET tax exemptions

Dear Chair San Buenaventura and Vice-Chair Ihara:

The Hawaii Teamsters & Allied Workers Union, Local 996 is in Strong **SUPPORT** of SB608, which establishes a general excise tax (GET) exemption for the gross proceeds or income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program or Special Supplemental Nutrition Program for Women, Infants, and Children, regardless of the means of purchase and the program eligibility of the purchaser and establishes a general excise tax exemption for the gross proceeds or income from the sale of nonprescription drugs.

The Pandemic has caused the worst economic depression we have seen in our lifetime. the effects of this crisis will permeate for years to come, as we find safe ways to return to some type of normalcy of pre-Covid-19. Since the early 2020 we have seen the unemployment rate grow and people are struggling more than ever before. Most working families in Hawaii live paycheck to paycheck and need some relief. The money families could save on groceries can amount to at least \$500 a year. We believe SB609 will help economic development by funneling more money into the economy then back into state coffers. We have witnessed extraordinary events and need extraordinary solutions to help keep our local families here at home.

Thank you for the opportunity to testify on SB608.

Sincerely,

Cody Sula
Government Affairs Liaison
Hawaii Teamsters and Allied Workers, Local 996

WAYNE K.S. KAULULAAU
President/Principal Officer

RYAN YOSHIDA
Secretary – Treasurer

FREDERICK LIVA
Vice President

ANTHONY "BULLY" BADAYOS
Recording Secretary

WENDY NAILE
Trustee

JAMES "KIMO" LAROYA JR.
Trustee

WALTER FOX III
Trustee

SB-608

Submitted on: 2/15/2021 10:09:54 AM

Testimony for HMS on 2/16/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Michelle K.	Individual	Support	No

Comments:

Hawaii must get rid of the GET for all food purchases asap. It is a regressive tax that disproportionately affect low income workers. Thank you for passing this bill into law!

IRON WORKERS STABILIZATION FUND

February 16, 2021; 3 pm

Senate Committee on Human Services
Via Videoconference
State Capitol
415 South Beretania Street

LATE

Re: SB608 – Relating to the General Excise Tax Exemptions

Aloha Chair San Buenaventura, Vice-Chair Ihara, and Members of the Senate Committee,

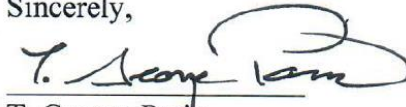
We **SUPPORT** the intent of SB608. The bill, if enacted, would provide a general excise tax exemption for certain food or food ingredients. President Joe Biden has clarified for us the cascade of crises that our society faces today: the virus, climate change, growing inequality, racism, America’s global standing, and an attack on truth and democracy.

Here at home, the pandemic has resulted in over 580,000 workers filing unemployment claims last year. We in Hawai‘i also face the distinct crisis of a looming homelessness tsunami. The moratoriums on evictions promulgated by the President and Governor are only stop-gap emergency measures that address public health and safety. Those measures do not address the underlying growing fiscal debt owed by renters and mortgagees to landlords and lenders. The Federal relief provided through CARES and subsequent legislation is greatly appreciated but does not keep pace with the growing debt. Many of our ‘ohana have not been able to work and are now faced with upwards of a ten months’ worth of back mortgage or rent payments that could be in the tens of thousands of dollars per family.

Too many of our ‘ohana and friends have been laid off or have had hours reduced. Thousands of working families are on the verge of financial collapse, having spent their savings, lost their private health insurance, and having dim prospects of returning to work soon or earning enough to survive. Our local families are faced with difficult to impossible financial choices, deciding between food and rent or mortgage payments, and gas and car payments. Thousands of our ‘ohana that were drowning under these cascades of crises have chosen to relocate their family out-of-state.

Exempting food and food ingredients from the General Excise Tax could save a working family upwards of \$500 a year. This worker relief legislation, taken together with others, will be a step in the right direction. We firmly stand in solidarity with our tens of thousands of local families that are currently suffering from layoffs, decreased work hours, and the thousands more that are facing possible government furloughs given the pandemic and budget shortfalls. We encourage you to consider worker relief legislation that will help our neighbors that are suffering during these unprecedented times and try to stem the rising tsunami of homeless on the horizon.

Sincerely,


T. George Paris
Managing Director

TGP: MP