

# TAX FOUNDATION OF HAWAII

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SUBJECT: GENERAL EXCISE TAX, Require Price Transparency

BILL NUMBER: HB 514

INTRODUCED BY: KONG, WARD, Amato, Cochran, Lamosao, Tam

EXECUTIVE SUMMARY: Requires all businesses engaged in the sale of goods to include the amount of general excise tax owed in any display or tag indicating the price of the goods.

SYNOPSIS: Adds a new section to chapter 237, HRS, stating that all businesses engaging in the retail sale of goods shall include the amount of general excise tax owed for the retail sale of the goods in any display or tag indicating the price of the goods, and that any violation shall constitute an unfair or deceptive act or practice in the conduct of trade or commerce within the meaning of section 480-2.

Amends section 481A-3, HRS, to list, as an unfair or deceptive trade practice, engaging in the retail sale of goods and failing to include the amount of general excise tax owed for the retail sale of the goods in any display or tag indicating the price of the goods.

EFFECTIVE DATE: January 1, 2024.

STAFF COMMENTS: This bill would enact a mandate to retailers and wholesalers to change all of their displays and price tags, and probably advertising as well, to separately list the amount of general excise tax.

First, this appears to be overkill. Retailers and wholesalers commonly itemize the GET in invoices, and there does not seem to be a myriad of complaints that customers were surprised or shocked by it. A lot of additional work is being required of the retailer or wholesaler, with questionable societal benefit.

Second, the bill needs to be clarified if it is to move forward. The bill as written requires the seller to itemize the GET, but not the county surcharge (which is different from the GET because it is imposed by county ordinance). If the idea is to alert the customer to the actual price that is going to be charged, this bill fails to accomplish the objective.

Digested: 1/30/2023



**TESTIMONY OF TINA YAMAKI, PRESIDENT  
RETAIL MERCHANTS OF HAWAII  
February 1, 2023  
Re: HB 514 RELATING TO PRICE TRANSPARENCY**

Good morning, Chair Holt, and members of the House Committee on Economic Development. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901 and is a statewide, not for profit trade organization committed to supporting the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, on-line sellers, local, national, and international retailers, chains, and everyone in between.

**We appreciate the intent of this measure; however, this is not a simple solution and would unintentionally be expensive to implement for many businesses who would pass the cost down to the consumer and therefore increasing the price and making living in Hawaii even more expensive.** This measure requires all businesses engaged in the sale of goods to include the amount of general excise tax owed in any display or tag indicating the price of the goods. Effective date - 1/1/2024.

Currently there are a lot of small local businesses that uses a pricing device that dispenses a small sticker with just the price onto consumer goods. **Having to include a separate line to include the general excise tax would not be an option unless these small businesses purchase an alternative pricing device** that may be very costly for not only the machine but also the larger tags needed.

**Retailers also have a limited amount of space to display their goods, let alone pricing information for each individual item.** For some it means printing new signage with a smaller print to accommodate the added tax information for others who are switching to digital signs may include more labor as each sign may have to be changed individually. This is not free so there is a cost to the retailer to do this.

Smaller retailers, especially mom & pop type stores use cash registers that are not equipped to include the GET for each item. Some are more like adding machines. All of the items would have to be manually keyed in including the GET for each item. The other option is the purchase a new point of sales system or upgrade their current ones. **However, this is costly as POS systems include terminals, computer hard and software and can range from \$5,000 - \$10,000+ per unit. The IT specialist to program and install the updates would be another \$140 an hour to put in all the SKU /barcode numbers into the system so that the various items are recognized, and the correct GET is added on.** This means thousands of products would need new signage and labeling. It's not as easy as pressing one button and everything is updated. Note that each item that is different in color, size, print...all have their own SKU number. This may not be covered in their original service contract regarding upgrade. In addition, most POS systems have a limited line and SKU that can be used in each field.

**This would be made even more difficult if we had to add on the county surcharges.** The General Excise Tax is a flat 4% tax that is added on to the consumer's total purchase at the time of check out regardless of which island you are on. Recent legislation has also allowed the various counties to add on their own County Surcharge. Because of these businesses that have locations on the neighbor islands would also have to modify the county surcharge in their systems, as well as print or change signage. In other words, it is not a one-time easy deal to implement.

**Businesses, especially smaller local businesses with no ties to mainland companies are still trying to claw their way out of debt that was incurred by the pandemic.** While the holidays may have been positive in sales, many of our local retailers still have loans and owed commercial lease rent. Like the rest of Hawaii, retailers have seen an increase in the price of goods, services, and shipping, and did not budget for the higher costs of payroll with an increase in the minimum wage that took effect at the end of 2022. and the wages needed to be competitive in the marketplace with a shortage of employees.

Many retailers are still struggling to survive. Walk through any shopping mall and see the increase in stores that closed their doors right after the holidays. **Anytime retail is touched with an increase in operations, the cost is ultimately passed onto the consumer. Now is not the time to increase the price of living in Hawaii.**

We respectfully ask that you hold this bill. Mahalo for the opportunity to testify.