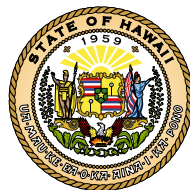


JOSH GREEN M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
P.O. BOX 259

HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 1239, Relating to General Excise Tax

**BEFORE THE:**

Senate Committee on Health and Human Services

**DATE:** Friday, February 3, 2023

**TIME:** 1:00 p.m.

**LOCATION:** State Capitol, Room 225

Chair San Buenaventura, Vice-Chair Aquino, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 1239 for your consideration.

S.B. 1239 amends chapter 237, Hawaii Revised Statutes, (HRS), by adding three new sections to exempt: 1) certain medical services, 2) sales of food, and 3) rental payments, from the general excise tax (GET).

The first new section of chapter 237, HRS, exempts from GET, all of the gross proceeds arising from the sale of medical services. As used in this section, "medical services" includes those services provided within hospitals, medical clinics, and private medical practices that are performed by a person licensed under chapter 436E, 442, 447, 448, 448B, 451A, 451J, 451K, 452, 453, 453D, 455, 457, 457A, 457G, 458, 459, 461, 461J, 463E, 465, 465D, 466D, 466J, or 468E.

The second new section of chapter 237, HRS, exempts from GET all gross proceeds or income arising from the sale of Supplemental Nutrition Assistance Program (SNAP) eligible items; provided that soft drinks shall not be exempted.

And finally, the third new section of chapter 237, HRS, exempts from GET all

Department of Taxation Testimony  
S.B. 1239  
February 3, 2023  
Page 2 of 2

gross proceeds arising from the rental of residential real property.

S.B. 1239 takes effect on July 1, 2023.

The Department requests that the effective date of the bill be amended to January 1, 2024, to allow sufficient time to make the necessary form and computer system modifications.

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



Feb. 3, 2022

1 p.m.

VIA VIDEOCONFERENCE

Conference Room 225

**To: Senate Committee on Health and Human Services**

**Sen. Joy San Buenaventura, Chair**

**Sen. Henry Aquino, Vice Chair**

**From: Grassroot Institute of Hawaii**

**Ted Kefalas, Director of Strategic Campaigns**

RE: SB1239 — RELATING TO GENERAL EXCISE TAX

***Comments Only***

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer comments on [SB1239](#), which would exempt from the state general excise tax medical services, rental income and groceries eligible under the Supplemental Nutrition Assistance Program.

This is a good bill, one that would make an immediate difference when it comes to addressing Hawaii's high cost of living, which has been a major reason for the state's steady decline in population over the past six years.

As we all know, the general excise tax is regressive, hitting low and middle-income individuals and families the hardest. Exempting medical services, rental payments and SNAP-eligible groceries would go a long way toward making Hawaii more affordable.

Under the proposed exemption for medical services, doctors and other medical professionals could save millions of dollars, which would make it easier for them to practice in Hawaii and help alleviate Hawaii's critical doctor shortage.

The Grassroot Institute's new report "[The case for exempting medical services from Hawaii's general excise tax](#)," explains how the GET is a barrier to running a private medical practice in the state of Hawaii.

For example, Hawaii is one of only two states with a broad tax on healthcare services. Worse, federal guidance prevents Hawaii doctors from passing along that tax to their Medicare and TRICARE patients, which leaves them no choice but to pay the tax out of their own pockets.

There are other factors that discourage medical personnel from practicing in Hawaii, such as the state's high income taxes, high housing costs and low Medicare reimbursement rates. But the GET is a problem for medical providers that we can do something about right now. Given the state's severe shortage of approximately 776 physicians, [SB1239](#) is timely and important.

As you probably know, Hawaii's not-for-profit healthcare providers, such as hospitals and community health centers, already are exempt from the state GET. So exempting for-profit, private practice physicians would only be fair, as well as save them approximately \$200 million each year. Waiving the GET surcharges imposed by the counties would save an additional \$22 million annually.<sup>1</sup>

The measure's proposal to exempt groceries would also save taxpayers millions of dollars each year, while helping families keep ...

Regarding the measure's proposal to exempt groceries, this would help families keep food on the table. Research shows that taxes on groceries contribute to less spending on meals at home<sup>2</sup> and higher food insecurity.<sup>3</sup>

Reducing the GET on food immediately, at the point of purchase, would ensure families keep more of their paychecks instead of waiting until tax season to receive a tax credit — the value of which inflation would have already diminished.

Exempting groceries from the excise tax would also have significant economic benefits. The Georgia state auditor estimates that Georgia's sales tax exemption for groceries has created more than 5,000 jobs and an additional \$807 million in economic output.<sup>4</sup>

The measure also avoids the concern that tourists might be the primary beneficiaries from changes to the GET. By narrowing the exemption to SNAP-eligible food, the bill retains the excise tax on restaurants and thus covers a significant amount of visitor food spending.

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<sup>1</sup> "[How the state GET affects healthcare costs in Hawaii](#)," Grassroot Institute of Hawaii, Jan. 2020.

<sup>2</sup> Diansheng Dong and Hayden Stewart, "[Food Taxes and Their Impacts on Food Spending](#)," U.S. Department of Agriculture, Economic Research Service, Sept. 2021, p. 7.

<sup>3</sup> Jianqiang Zhao, "[Putting Grocery Food Taxes on the Table: Evidence for Food Security Policy-Makers](#)," Master's Thesis, Cornell University, Aug. 2020, p. iii.

<sup>4</sup> "[Tax Incentive Evaluation: Grocery Sales Tax Exemption](#)," Georgia Department of Audits and Accounts, Dec. 13, 2022.

Similarly, the exemption for medical services does not encounter the same concern. Few tourists plan on receiving medical care on their trip to Hawaii.

The cumulative economic effects of this bill could be quite large. The 2005-2007 Tax Review Commission estimated that a similar exemption for food, health care, clothes and shelter would slash GET revenues by \$501 million — 22.3% of total GET revenues.<sup>5</sup>

If this measure reduced GET revenues by just 20%,<sup>6</sup> it would put almost \$800 million back into taxpayers' pockets, providing benefits across the board. Businesses and consumers would greatly appreciate the relief from Hawaii's first in the nation cost of living.

Thank you for the opportunity to testify.

Ted Kefalas  
Director of Strategic Campaigns  
Grassroot Institute of Hawaii

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<sup>5</sup> ["Report of the 2005-2007 Tax Review Commission,"](#) Dec. 1, 2006, p. 17.

<sup>6</sup> The state Department of Budget and Finance estimated that GET revenues in fiscal year 2024 will be approximately \$3.9 billion. See: ["Tables Indicating the Basis for Revenue Estimates,"](#) Hawaii Department of Budget and Finance, Sept. 6, 2022, p. 24.

# THE KŪPUNA CAUCUS



**Feb 1 2023**

**TO: The Committee on Health and Human Services  
Chair Senator Joy A San Buenaventura  
Vice Chair Senator Henry J.C. Aquino**

**Concerning: SB314, SB397, SB404, SB102, SB761, SB1477, SB1035, SB1118, SB1128,  
SB1134, SB1239, SB1348**

**POSITION: Enthusiastic Support of all bills**

**ALOHA Chair Buenaventura and Vice Chair Aquino, and all members of the committee**

**On behalf of the Kupuna Caucus' Health and Medical Services sub-committee I am testifying in support of all of the proposed legislation as listed above.**

Each one represents a vital step towards keeping our medical professionals here in Hawaii and keeping practitioner offices open for everybody but especially for seniors who often depend on Medicare and Medicaid for health related care and procedures.

Currently it is almost impossible for individual doctors to maintain their own offices without 2 to 4 additional doctors sharing the financial burdens. The extraordinary amount of insurance related paperwork they must file to get paid is over whelming and complicated and often redundant. They have to hire accounting specialists to deal with it so only Medical Corporations survive under those conditions.

I have done my own research and ever single doctor I spoke with (and every doctor my friends/fellow seniors from precinct 2 District 27spoke with) said that the one thing that is affecting them the most are the State's excise taxes which are being addressed in SB102, 761, 1472, 1035, 1118, 1128,1134,1239, and 1348.

When patients receive a bill, they usually do not pay the tax themselves, even if their insurance Company does not pay the tax. The same applies to medical products, prescriptions, any and all support services provided by health and medical practices. In addition Medicare and Medicaid covered bill also never pay the state tax leaving the practitioners or health related institutions and facilities to cover the taxes out of pocket. A number of doctors do not accept Medicare and/Medicaid covered clients or are forced to refer current clients to other medical groups for that reason. This is as concerning as the shortage of doctors all over the state. These bills are what our state can do to encourage them to stay.

Martha E Randolph  
Precinct 2 Rep, District 27 Council  
DPH Environmental Caucus SCC Representative and  
Member of the DPH Legislative Priorities Committee

Michael Traub, ND, FABNO  
Lokahi Health Center  
75-5591 Palani Rd. Suite 201  
Kailua Kona, Hawaii 96740  
Phone 808-329-2114  
Fax 808-326-2871  
[Traub.michael@gmail.com](mailto:Traub.michael@gmail.com)

January 31, 2023

Re: SB1239

Hearing Friday February 3, 2023 1:00 pm

Committee on Health and Human Services  
Senator Joy A. San Buenaventura, Chair  
Senator Henry J.C. Aquino, Vice Chair

There are several bills scheduled for this hearing that pertain to exemptions to the Hawaii General Excise tax.

Some of them, such as SB1239, contain provisions that would include naturopathic physicians (NDs); others do not include NDs, and should be amended to do so. SB1239 is an example of a bill that is inclusive, and I urge that you vote to support it as is.

Mahalo for your consideration.

Sincerely,

Michael Traub ND



P.O. Box 253, Kunia, Hawai'i 96759  
Phone: (808) 848-2074; Fax: (808) 848-1921  
e-mail [info@hfbf.org](mailto:info@hfbf.org); [www.hfbf.org](http://www.hfbf.org)

February 3, 2023

HEARING BEFORE THE  
SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES

**TESTIMONY ON SB 1239**  
RELATING TO GENERAL EXCISE TAX

Conference Room 225 & Videoconference  
1:00 PM

Aloha Chair San Buenaventura, Vice-Chair Aquino, and Members of the Committees:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

**The Hawai'i Farm Bureau supports SB 1239**, which exempts certain medical services, food, and rent from the general excise tax.

SNAP offers nutrition assistance to eligible, low-income individuals and families, increasing their food purchasing power and improving their nutrition. SNAP also provides economic benefits to farmers participating at farmers' markets, roadside stands, CSA programs, grocery stores, and other food retailers.

Some of HFB's farmers' markets participate or have participated in the SNAP program. We believe that access to locally grown fresh fruits, vegetables, and protein to low-income individuals and families provides benefits to both SNAP participants and Hawai'i farmers and ranchers.

Residents in thirty-seven states do not pay taxes on groceries and six other states have reduced taxes on groceries. Only seven states tax groceries as much as or more than Hawai'i, but these other states have a lower cost of living than Hawai'i.

Many factors impacting these high food prices are out of the state's control. However, reducing and eventually eliminating the GET on groceries is. Doing so would immediately bring down the cost of living for all Hawai'i residents.

Thank you for the opportunity to testify on this important subject.



# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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**SUBJECT:** General Excise Tax; Exemption; Medical Services; Supplemental Nutrition Assistance Program; Rent

**BILL NUMBER:** SB 1239

**INTRODUCED BY:** RICHARDS, AQUINO, CHANG, KANUHA, KEITH-AGARAN, MCKELVEY, Shimabukuro

**EXECUTIVE SUMMARY:** Exempts certain medical services, food, and rent from the general excise tax.

**SYNOPSIS:** Adds three new sections to chapter 237, HRS.

Adds an exemption for gross proceeds arising from the sale of medical services. Defines “medical services” as including those services provided within hospitals, medical clinics, and private medical practices that are performed by a person licensed under chapter 436E, 442, 447, 448, 448B, 451A, 451J, 451K, 452, 453, 453D, 455, 457, 457A, 457G, 458, 459, 461, 461J, 463E, 465, 465D, 466D, 466J, or 468E.

Adds an exemption for gross proceeds or income arising from the sale of Supplemental Nutrition Assistance Program eligible items except for soft drinks.

Adds an exemption for all gross proceeds arising from the rental of residential real property.

**EFFECTIVE DATE:** July 1, 2023.

**STAFF COMMENTS:** We observe that the exemptions here are drafted without much specificity. For example, the definition of “medical services,” although broad, is an “includes” definition, meaning that other services not enumerated in the definition could qualify. The exemption for food sales excludes “soft drinks,” without defining the latter term. And the exemption for rental payments extends to “all gross proceeds arising from the rental” of residential real estate, which indicates that the exemption is supposed to cover more than just “rent.” We urge that the language on these exemptions be tightened up considerably.

Digested: 2/1/2023



1050 Bishop St. PMB 235 | Honolulu, HI 96813  
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#### **Executive Officers**

**Eddie Asato**, Pint Size Hawaii, *Chair*  
**Gary Okimoto**, Safeway, *Vice Chair*  
**Maile Miyashiro**, C&S Wholesale, *Secretary/Treas.*  
**Lauren Zirbel**, HFIA, *President and Executive Director*  
**John Schilf**, Rainbow Sales and Marketing, *Advisor*  
**Paul Kosasa**, ABC Stores, *Advisor*  
**Derek Kurisu**, KTA Superstores, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*  
**Joe Carter**, Coca-Cola Bottling of Hawaii, Odom, *Advisor*  
**Charlie Gustafson**, Tamura Super Market, *Immediate Past Chair*

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**TO:** Committee on Health and Human Services

**FROM:** HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

**DATE:** February 3, 2023  
**TIME:** 1pm  
**PLACE:** Via Videoconference

**RE:** SB1239 Relating to General Excise Tax

**Position:** Comments

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.

HFIA is in support of the intent of this measure. Exempting groceries from the GET has a range of benefits for Hawaii consumers. However, eliminating one category of SNAP eligible products from that exemption makes it difficult for retailers to implement and degrades the intent of the measure to provide consumers with tax relief on their grocery purchases.

We believe that SB1118 is the best vehicle to accomplish our shared goal of reducing food costs for Hawaii families.

We thank you for the opportunity to testify.



**Written Testimony of  
David Thorp, American Beverage Association**

**Before the  
Senate Committee on Health and Human Resources  
Opposition of S.B. 1239: Relating to General Excise Tax  
February 3, 2023**

Good afternoon, Chair San Buenaventura, Vice Chair Aquino and members of the committee. Thank you for the opportunity to comment in opposition to S.B. 1239 – relating to General Excise Tax.

I am David Thorp, Vice President, State Government Affairs West for the American Beverage Association (ABA). The American Beverage Association is the trade association representing the non-alcoholic beverage industry across the country and here in Hawaii.

**Beverage industry’s local impact on Hawaii’s economy**

The beverage industry is an important part of Hawaii’s economy – and one of the few remaining industries still manufacturing on the Islands. Unlike most consumer products, many of our beverages, aluminum cans and plastic bottles are manufactured and distributed in Hawaii by local workers.

Non-alcoholic beverage companies in Hawaii provide 1,200 good-paying jobs across the state. The industry helps to support thousands more workers in businesses that rely in part on beverage sales for their livelihoods and, such as grocery stores, restaurants and theaters.

S.B. 1239 seeks to exempt all SNAP eligible items except for “soft drinks.”

The USDA’s SNAP program allows for the purchase of:

Any food for the household, such as:

- Fruits and vegetables;
- Meat, poultry, and fish;
- Dairy products;
- Breads and cereals;
- Other foods such as snack foods and non-alcoholic beverages; and
- Seeds and plants, which produce food for the household to eat.

Households CANNOT use SNAP benefits to buy:

- Beer, wine, liquor, cigarettes, or tobacco
- Vitamins, medicines, and supplements. If an item has a Supplement Facts label, it is considered a supplement and is not eligible for SNAP purchase.
- Live animals (except shellfish, fish removed from water, and animals slaughtered prior to pick-up from the store).

- Foods that are hot at the point of sale
- Any nonfood items such as:
  - Pet foods
  - Cleaning supplies, paper products, and other household supplies.
  - Hygiene items, cosmetics

A meaningful solution to solving America’s obesity challenge requires education and incentives that support a balanced lifestyle. Food and beverage companies are helping provide meaningful solutions to reduce obesity and give consumers products and tools to achieve and maintain healthy lifestyles, including improved nutrition labeling systems, reduction of calories in the food supply, and healthier meal and beverage options.

Together, America’s leading beverage companies are offering more beverage choices with less sugar or no sugar at all, plus a greater variety of package sizes. In fact, today nearly 60% of beverages sold contain zero sugar.

**Singling out only one particular SNAP-eligible product such as “soft drinks” to continue imposing the state’s GET is unfair and a slippery slope of defining good foods versus bad foods.**

Sincerely,

*David Thorp*

David Thorp  
American Beverage Association  
Vice President, State Government Affairs West

**SB-1239**

Submitted on: 2/1/2023 4:02:15 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Dr. Guy Yatsushiro	Individual	Support	Written Testimony Only

Comments:

Support

**SB-1239**

Submitted on: 2/1/2023 4:05:55 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Dara Yatsushiro	Individual	Support	Written Testimony Only

Comments:

Stand in SUPPORT

**SB-1239**

Submitted on: 1/31/2023 1:20:55 PM

Testimony for HHS on 2/3/2023 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
B.A. McClintock	Individual	Support	Written Testimony Only

Comments:

Please support this important bill. I cannot believe essentials to living are taxed. Thirty six years ago I came from the mainland and was shocked to find my medical services were taxed! Even insurance companies do not pay these taxes. They are all out of pocket. Please pass this bill!