

JAN 20 2023

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# 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. Coupled  
6 with the high cost of living, the coronavirus disease 2019  
7 (COVID-19) pandemic further exacerbated the problem of residents  
8 being unable to afford necessities like groceries. The COVID-19  
9 pandemic led to over two hundred fifty thousand workers in  
10 Hawaii losing their jobs, leaving all those families to suffer  
11 financially.

12           The legislature further finds that exempting groceries and  
13 nonprescription drugs from the general excise tax will help many  
14 families that have been negatively impacted by the COVID-19  
15 pandemic and allow them to put food on the table and maintain  
16 the health of their families. Additionally, those who save  
17 money on groceries and nonprescription drug purchases will be



1 able to spend that money elsewhere in the economy, thus allowing  
2 the money to continue to circulate, which will help many  
3 businesses and continue to generate revenue for the State.

4 The legislature further finds that thirty-two states, plus  
5 the District of Columbia, currently exempt most foods purchased  
6 for consumption at home from the state sales tax. Thirteen  
7 states impose levies on groceries. Seven states tax groceries  
8 at the level of the ordinary tax rate, including Alabama,  
9 Mississippi, South Dakota, Hawaii, Idaho, Kansas, and Oklahoma.  
10 The other six states, Arkansas, Illinois, Missouri, Tennessee,  
11 Utah, and Virginia, tax groceries at reduced rates. Grocery  
12 sales tax is often considered regressive and disproportionately  
13 hurts working families and may affect the quality, diversity,  
14 and even the amount of food they can afford to put on the table,  
15 especially during a pandemic.

16 A recent study from the Charles H. Dyson School of Applied  
17 Economics and Management at Cornell University finds that even a  
18 slight grocery tax rate increase correlates to an increased  
19 likelihood of food insecurity and a higher risk of hunger in  
20 households. Exempting food and medicine from the general excise  
21 tax is a step that the State can take to substantially and



1 positively combat food insecurity and the resiliency crisis.  
2 Taxing food not only hurts those living paycheck to paycheck,  
3 but it also erodes savings and investment opportunities for the  
4 middle class and makes Hawaii a much less desirable place to  
5 start a food-related business. This is therefore a priority  
6 issue for the State.

7 The legislature also finds that Senate Bill No. 608,  
8 Regular Session of 2021 (Senate Bill No. 608), established a  
9 general excise tax exemption from the sale of certain groceries  
10 and nonprescription drugs. The department of taxation testified  
11 that Senate Bill No. 608 would cost the State an average of \$230  
12 million per year. More information is needed about how this  
13 estimate was derived. Furthermore, a more formal scoring of  
14 Senate Bill No. 608 is required to accurately estimate the  
15 projected fiscal impact to the State so that an appropriate  
16 offset in the form of reducing expenditures and for those  
17 savings to be spent elsewhere generating additional income from  
18 new food-based revenue sources may be developed.

19 Accordingly, the purpose of this Act is to:

20 (1) Establish a general excise tax exemption for the gross  
21 proceeds or income from the sale of groceries that are



1 eligible under the Supplemental Nutrition Assistance  
2 Program or Special Supplemental Nutrition Program for  
3 Women, Infants, and Children; and

4 (2) Establish a general excise tax exemption for the gross  
5 proceeds or income from the sale of nonprescription  
6 drugs.

7 SECTION 2. Chapter 237, Hawaii Revised Statutes, is  
8 amended by adding two new sections to be appropriately  
9 designated and to read as follows:

10 "§237- Exemption for eligible groceries. (a) There  
11 shall be exempted from, and excluded from the measure of, the  
12 taxes imposed by this chapter all of the gross proceeds or  
13 income received from the sale of all groceries eligible for  
14 purchase under the Supplemental Nutrition Assistance Program and  
15 Special Supplemental Nutrition Program for Women, Infants, and  
16 Children within the State, regardless of the means of purchase  
17 and the eligibility of the purchaser for Supplemental Nutrition  
18 Assistance Program or Special Supplemental Nutrition Program for  
19 Women, Infants, and Children benefits.

20 (b) For the purposes of this section:



1       "Food" or "food product" means substances, whether in  
2 liquid, concentrated, solid, frozen, dried, or dehydrated form,  
3 that are sold for ingestion or chewing by humans and are  
4 consumed for their taste or nutritional value.

5       "Groceries" means any food or food product for home  
6 consumption. "Groceries" may be further defined by the  
7 department of taxation by rule or tax information release;  
8 provided that the department shall consult with the federal Food  
9 and Nutrition Service of the United States Department of  
10 Agriculture in further defining the term "groceries" for  
11 purposes of the Supplemental Nutrition Assistance Program and  
12 Special Supplemental Nutrition Program for Women, Infants, and  
13 Children.

14       §237-     Exemption for nonprescription drugs. (a) There  
15 shall be exempted from, and excluded from the measure of, the  
16 taxes imposed by this chapter all of the gross proceeds or  
17 income received from the sale of nonprescription drugs.

18       (b) For the purposes of this section:

19       "Drug" means:

20       (1) Articles recognized in the official United States  
21 Pharmacopoeia, official United States Pharmacopoeia



- 1           Dispensing Information, official Homeopathic  
2           Pharmacopoeia of the United States, or official  
3           National Formulary, or any supplement to any of these  
4           publications;
- 5           (2) Articles intended for use in the diagnosis, cure,  
6           mitigation, treatment, or prevention of disease in  
7           humans or animals;
- 8           (3) Articles, other than food or clothing, intended to  
9           affect the structure or any function of the body of  
10           humans or animals; or
- 11           (4) Articles intended for use as a component of any  
12           article specified in paragraph (1), (2), or (3);  
13           provided that the term "drug" does not include devices  
14           or their components, parts or accessories, cosmetics,  
15           or liquor as defined in section 281-1.

16           "Nonprescription drug" means any packaged, bottled, or  
17           nonbulk chemical, drug, or medicine that may be lawfully sold  
18           without a practitioner's order."

19           SECTION 3. New statutory material is underscored.

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1 SECTION 4. This Act shall take effect on January 1, 2024.

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INTRODUCED BY: 



# S.B. NO. 1053

**Report Title:**

General Excise Tax; Exemption Groceries; Nonprescription Drugs; Exemption

**Description:**

Establishes 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 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. Effective January 1, 2024.

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