

JOSH GREEN M.D.  
GOVERNOR

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LT. GOVERNOR



GARY S. SUGANUMA  
DIRECTOR

KRISTEN M.R. SAKAMOTO  
DEPUTY DIRECTOR

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

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 1278, Relating to the General Excise Tax.

**BEFORE THE:**

Senate Committee on Ways and Means.

**DATE:** Wednesday, February 12, 2025

**TIME:** 10:00 a.m.

**LOCATION:** State Capitol, Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 1278 for your consideration.

Section 2 of the bill exempts from the general excise tax (GET) any grants received from the federal Restaurant Revitalization Fund (RRF) by an eligible business pursuant to the American Rescue Plan Act of 2021. The bill also provides that any GET paid by an eligible business for grants from the RRF shall be refunded to the taxpayer by an unspecified deadline. The bill is effective upon approval and applies retroactively to taxable years beginning after March 11, 2021.

The bill is currently silent as to whether DOTAX should automatically issue refunds or wait for taxpayers to file a refund claim. However, requiring DOTAX to issue refunds without taxpayers filing amended returns presents significant difficulties. DOTAX does not track taxpayers' payments on received RRF funds as these amounts were not separately declared as income on GET returns. Issuing refunds without the filing of amended returns is also problematic if a taxpayer has reorganized, changed its GET number, moved, or is no longer in business. DOTAX is not situated to search out specific taxpayers and determine whether they are entitled to refunds. Amended returns ensure that exemption and refund claims are made by the proper entities and/or persons. Accordingly, DOTAX requests that subsection (b) be amended to require

taxpayers file an amended general excise tax return to request a refund.

DOTAX also notes that refund claims under this measure would run against the three-year statute of limitations in section 237-40(d), HRS. For RRF funds received in 2021, any refund claims filed after April 21, 2025 will be automatically rejected because it violates the statute of limitations. Just as important, DOTAX would not be able to stop or cancel the automatic rejection of these claims without jeopardizing the processing or payment of all other GET refund claims.

Accordingly, if this bill advances, DOTAX requests that the bill be amended to require that taxpayers file a refund claim for funds received in 2021 by no later than April 21, 2025.

DOTAX estimates this bill will result in a revenue loss of \$16.8 million in fiscal year 2026.

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

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

**LATE**

SUBJECT: GENERAL EXCISE; Exemption for Grants from the federal Restaurant Revitalization Fund

BILL NUMBER: SB 1278, HB 937

INTRODUCED BY: SB by AQUINO, FEVELLA, KIDANI, WAKAI, Moriwaki, San Buenaventura; HB by ILAGAN

EXECUTIVE SUMMARY: Establishes that any grants received from the federal Restaurant Revitalization Fund (RRF) by an eligible business pursuant to the American Rescue Plan Act of 2021 shall not be subject to state general excise tax. Requires any state general excise tax paid by eligible businesses for RRF grants to be refunded to the taxpayer. Applicable to taxable years beginning after 3/11/2021.

SYNOPSIS: Section 2 of the bill exempts grants received from the federal RRF from the general excise tax under chapter 237, HRS.

Any general excise tax paid for grants received from the federal RRF shall be refunded.

EFFECTIVE DATE: Retroactive to taxable years beginning after March 11, 2021

STAFF COMMENTS: As a result of the COVID-19 pandemic, various relief programs were enacted by the federal government. At the end of 2020, the Department of Taxation issued Tax Information Release 2020-06 which concluded that “in light of the severity of the economic impact of the COVID-19 pandemic” these federal benefits would not be subject to the general excise tax.

In 2021, the federal government granted further relief with the Restaurant Revitalization Fund (RRF) program. The RRF program was structured as a reimbursement program in that although it provided a funding amount to affected restaurants on the basis of their historic sales, the government specified certain categories of expenses on which the monies were to be spent, and informed the restaurants that unspent monies, or monies not spent on the proper expenses, needed to be returned to the federal government.

In 2023, the Department of Taxation began targeting restaurants and other small businesses that had received benefits under RRF, asserting these benefits were in the form of replacement income and consequently subject to the general excise tax.

The explanation given for the difference in GET treatment between pre-2021 federal benefits (for example the Paycheck Protection Program) and RRF money does not seem to be true. And even if it were, the Department itself expressed a rationale for exempting the proceeds – that the pandemic caused severe economic effects so federal programs giving relief from those effects should not be GET taxable – that seems to apply to RRF just as it does to PPP.

This measure would establish consistent, uniform and fair treatment to exempt federal relief funds.

We understand that the effective date was set to correspond with the enactment of the RRF program. However, the effective date as written will be no help to calendar year taxpayers who received income in 2021. Furthermore, general excise tax is imposed on a transaction basis rather than based on a closed year. Thus, we recommend that the effective date be changed as follows:

SECTION 3. This Act, upon its approval, shall apply retroactive to [~~taxable years beginning after~~] March 11, 2021.

For further information, we are appending a copy of our article published on Jan. 1, 2024.



## Restaurants Getting Cooked

by [Tom Yamachika](#) | posted in: [Weekly Commentary](#) | Jan. 1, 2024

A number of restaurants are in a pinch recently. Here's what happened to them.

A few years ago, the COVID-19 pandemic began. In the initial months of the pandemic, many governments including ours locked down the populace. People who were shut in couldn't spend money like they usually could, and businesses of all stripes suffered.

Because of the national impact of the pandemic, various relief programs were enacted by the federal government and helped ease the pain of individuals and businesses throughout the State. Four federal programs in 2020, for example, did much to alleviate the suffering caused by the national economic catastrophe: the Paycheck Protection Program (PPP), the Economic Injury Disaster Loan (EIDL) program, Federal Pandemic Unemployment Compensation (FPUC), and Pandemic Unemployment Assistance (PUA). Some of these programs offered grants, or loans that were forgiven later, which normally result in income to the recipient of those benefits.

At the end of 2020, the Department of Taxation published [Tax Information Release 2020-06](#) (“TIR 2020-06”) in which the department concluded that despite a lack of any statutory exemption, our General Excise Tax (GET) would not be imposed on these federal benefits “in light of the severity of the economic impact of the COVID-19 pandemic.”

In 2021, the federal government granted further relief to affected individuals and businesses, and in the American Rescue Plan Act it provided two more significant programs for affected businesses: the Restaurant Revitalization Fund (RRF) program, and the Shuttered Venu Operators Grant (SVOG) program. The RRF program was structured as a reimbursement program in that although it provided a funding amount to affected restaurants on the basis of their historic sales, the government specified certain categories of expenses on which the monies were to be spent, and informed the restaurants that unspent monies, or monies not spent on the proper expenses, needed to be returned to the federal government.

In May 2022, [we published an article](#) calling on the Department to make up its mind about these programs. However, no guidance came out in 2022.

In 2023, however, [as KITV reported](#), the Department started targeting restaurants and similar businesses that had received benefits under RRF. The department said that those benefits were taxable and demanded back GET taxes from the businesses although the restaurants already had spent the money (which they were required to do under the federal program). Some of these restaurants already had received benefits under PPP, which, under TIR 2020-06, were not subject to GET.

When KITV asked the Department to explain why, they said “PPP loans were not considered income, as they were used to pay employees or rent. But the RRF was considered replacement income and so would count toward a business’ bottom line.”

For affected businesses, it is an unwanted big tax bill right in the middle of the businesses’ attempts to get back on their feet after being clobbered by the pandemic.

And the Department’s position does not seem to be well founded. The explanation it gave for the difference in GET treatment between PPP and RRF money does not seem to be true. And even if it were, the Department itself expressed a rationale for exempting the proceeds – that the pandemic caused severe economic effects so federal programs giving relief from those effects should not be GET taxable – that seems to

apply to RRF just as it does to PPP. To be consistent, uniform and fair, as its own mission statement demands, RRF should get the same treatment as PPP. And if the Department itself doesn't recognize this, perhaps lawmakers could take steps to correct the injustice.

Digested: 2/10/2025



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Date: February 8, 2025

To: Donovan M. Dela Cruz, Chair  
Sharon Y. Moriwaki, Vice Chair  
Members of the Ways & Means Committee

From: Thomas Jones, Legislative Committee

Subject: SB 1278 RELATING TO THE GENERAL EXCISE TAX & RESTAURANT REVITALIZATION FUND

**The Hawai'i Restaurant Association representing 4,000 Eating and Drinking Place locations is in strong support of SB 1278**, which establishes that any grants received from the federal Restaurant Revitalization Fund (RRF) by an eligible business pursuant to the American Rescue Plan Act of 2021 shall not be subject to state general excise tax. Requires any state general excise tax paid by eligible businesses for RRF grants to be refunded to the tax payer. Applicable to taxable years beginning after 3/11/2021.

COVID's impact on Hawai'i's economy was especially onerous due to the airline travel restrictions and our dependance on domestic and international tourism. Within Hawaii, the restaurant industry suffered sales losses more than other areas of the economy due to mandated restaurant closures, seating limitations, and increased operating costs such as hygiene procedures, sanitizing, compliant take out packaging, personal protective equipment, barriers, compounded by related labor shortages, etc.

Through the federal government CARES Act PPP & EIDL programs, significant financial relief loans were provided to all manner of businesses which could be forgiven provided that the recipient used the funds for qualified expenses. The State Tax Dept exempt the PPP and EIDL loan forgiveness from GET on May 4, 2020.

**LATE**

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Subsequently the American Rescue Plan Act of 2021 (ARPA), effective March 11, 2021 provided additional forgivable relief loans to over 1,100 restaurants in Hawai'i provided that the recipients could prove that all of the funds were spent on federally approved expenditures. Even though the intent, requirements and conditions of the RRF were identical to the PPP and EIDL, the State Tax Department did not inform taxpayers that the GET treatment of RRF funds was any different and in late 2023 began auditing recipients of the RRF loans and requiring them to pay include the forgiven RRF as sales and recalculating additional GET due on the revised sales figure.

The result has been an unfair burden on restaurants that spent the funds as required by the Federal Government expecting the State Tax Dept to treat the RRF with the same consideration as the previous federal relief programs.

We feel that SB1278 will provide the remedy to correct the inconsistent tax treatment of the RRF by the State Tax Dept.

Hawai'i's restaurants are still struggling to make ends meet and deserve fair treatment by the State of Hawai'i.







February 12, 2025

SB1278 & HB937 – Relating to the General Excise Tax

From Highway Inn

Members of the Committee:

Mahalo nui to the legislature for taking up this issue. Since the state tax department first contacted us in late 2023 about collecting this tax, we have been hoping for a common-sense and reasonable decision to include RRF, the last of the COVID federal relief funds which arrived in 2021, into the general GET exemption documented in TIR 2020-6, which generally excluded 2020 COVID federal relief funds from GET.

The Bill reflects this common-sense approach on page 2, line 13, "despite the purpose of RRF grants aligning with the rationale behind the PPP and EIDL grants,"... the state tax department in 2023, chose, by seeking to collect GET, to exclude RRF from the GET exemption for similarly purposed funds, despite its own 2020 guidance saying that "*However, in the light of the severity of the economic impact of the COVID-19, GET will not be imposed on payments received under PUA, loan amounts forgiven under PPP, and EIDL grants.*" [TIR 2020-06 at 3.]

We have poor memories of recent events. The pandemic was severe for customer-facing businesses such as restaurants in 2020, 2021, and 2022. Had it not been for the federal government's grant intervention, many small businesses would not be here today. The pandemic was equally severe in the summer of 2021 when the RRF grant monies were received as in 2020 when TIR 2020-6 was issued.

Importantly, RRF targeted restaurants owned by women, veterans, minorities, and economically disadvantaged groups. It was successful.

Here is a brief timeline of how the pandemic affected restaurants, one of the hardest-hit business sectors by COVID-19.

- At the beginning of the pandemic in March 2020, the State ordered Restaurants to shut down, and we could only provide takeout. Revenue fell to 1/3<sup>rd</sup> of the levels seen in 2019.
- In the summer of 2020, the federal government launched PPP and EIDL. These programs were a lifeline for many small businesses, but many restaurants missed out on these loans. It prevented restaurants from losing employees and property leases. The tax department exempted forgiven PPP & EIDL loans from GET in the summer of 2020.

- COVID deaths in the US peaked in January 2021, and 2021 saw a maximum of nearly 500,000 US Citizens die from COVID. With federal assistance, restaurants limped into 2021 trying all sorts of innovations and 'pivots' to remain viable.
- In May 2021, the US Treasury launched RRF. The first COVID shots were deployed, and restaurants were still severely compromised by a lack of demand. We had outdoor seating, social distancing, contact tracing, delivery, and takeout. By the end of the year, the second COVID shot arrived.
- The pandemic raged on; US COVID deaths fell to 250,000. However, restaurant revenues did not return to 80% of pre-pandemic levels until late 2022. Many restaurants did not survive, and several are still struggling to recover from the longer-lasting changes to the restaurant environment.

In 2023 and 2024, 2.5 years later, Hawaii's tax department began collecting GET from restaurants for RRF funds spent in 2021, stating that because RRF (2021) is not included on the original list of federal funds (2020), it can collect GET on these funds. The RRF program (issued in 2021) can't be on a list created in 2020 unless added later. The omission of RRF may have been an administrative oversight, as the tax department did not issue a ruling indicating that it had considered the RRF and issued tax guidance to exclude it expressly.

It appears to us that the state tax department has not considered that the majority of RRF recipients are primarily from groups federally protected from systemic discrimination (by design), and by choosing only to tax this group of COVID grant recipients, it is unknowingly discriminating against protected classes.

The tax department has argued that RRF is different and should be excluded from the GET exemption because it is not on the original list in TIR 2020 issued before RRF existed; in that same document, the tax department states that the exemption was implemented due to the severity of the pandemic.

The COVID-19 pandemic was still severe in 2021; in fact, at its peak, and the state government's mandate to limit restaurant business activity was still in force.

As a women-owned business, we find the GET on RRF to be inconsistent, illogical, unfair, and likely discriminatory and should have been included on the list of GET-exempt COVID-19 relief programs.



February 10, 2025

**COMMITTEE ON WAYS AND MEANS**

Sen. Donovan Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

Re: Testimony in Strong Support of SB1278

Aloha Chair, Vice Chair, and Members of the Committee,

My name is Garrett W. Marrero, and I live in Kihei, Hawai'i. I am the CEO and Founder of Maui Brewing Co., operating locations in Lahaina, Kaanapali, and Kihei on Maui, and Waikiki and Kailua on Oahu. We distribute our beverages across Hawai'i, 26 states, and 2 countries. Since our founding in 2005, we have grown from 26 team members to over 400 statewide.

We just celebrated crossing 20 years in business last week. I am writing in strong support of Senate Bill 1278, which seeks to ensure fairness in the taxation of relief funds granted to businesses during the COVID-19 pandemic.

During the unprecedented challenges of 2020 and 2021, our business, like many others, struggled to survive due to island-wide lockdowns and government-imposed restrictions. Programs such as the Paycheck Protection Program (PPP) provided a critical lifeline, allowing us to keep our doors open and our employees paid. The Hawai'i Department of Taxation appropriately determined that forgiven PPP funds were not subject to the state's General Excise Tax (GET).

In 2021, the federal government introduced the Restaurant Revitalization Fund (RRF), a program specifically designed to aid restaurants. The RRF functioned similarly to PPP, with strict guidelines requiring that funds be used exclusively for government-approved expenses—otherwise, they had to be returned. Like many, we fully complied with these requirements, using every dollar to sustain our business and protect jobs.

At the time, we reasonably assumed that RRF grants would receive the same tax treatment as PPP funds, especially given that GET was not listed as an eligible expense under RRF guidelines. However, in 2023, we were blindsided when the Hawai'i Tax Department retroactively imposed GET on RRF funds, leaving many local businesses facing unexpected and significant tax burdens.


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This decision is unfair and inconsistent with the treatment of other federal relief programs. SB1278 corrects this inequity and ensures that struggling businesses are not penalized for following the rules during one of the most challenging periods in modern history.

I urge you to pass this bill and support Hawai'i's small businesses.

Mahalo for your time and consideration!

Sincerely,

A handwritten signature in black ink, appearing to read 'Garrett W. Marrero', with a long horizontal flourish extending to the right.

Garrett W. Marrero  
CEO/Founder

February 10, 2025

COMMITTEE ON WAYS AND MEANS

Sen. Donovan Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice-Chair, and Members of the Committee:

I am writing to you as the co-owner and President of Jesscott, Inc., dba Lava Java Coffee Roasters of Maui. We are a mother/son small business, located in Kihei, Maui, and we are a single brick and mortar coffee store. We have been in business since February 6, 2008, and we employ between 7-9 people regularly. "Lava Java Maui" has become a destination coffee store for residents and visitors alike. We have worked tirelessly to create a name and excellent reputation for our small family business.

When Covid shut us down we were beyond grateful for the grants and assistance offered. Without them, we would be closed. Imagine our surprise when the assistance we received was then not only taxed, but additional penalties and interest was added. The additional penalties and interest was on GE tax we were not aware was even owed! This was a GRANT, and it was used according to the guidelines.

After paying a huge sum to the state of Hawaii, we finally were starting to get on our feet again financially, and then the Lahaina, Kula, and Kihei fires occurred! Insurance and operating costs went up, and tourism and income went straight down.

We have asked for, and NOT received a break in our rent from the landlord. In fact, the landlord continues to raise the rent and CAM fees! All of our other costs have risen as well, milk, cream, coffee, cups, etc. We operated in the negative, and lost a considerable amount of money in the last few years. If not for the grants, we would be closed.

We are testifying in **STRONG SUPPORT** of Senate Bill 1278.

Again, during the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be

forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be **essential** to keep our restaurant going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

We do not think that is right, and that is why we are in support of this bill. Thank you for your thoughtful consideration.

Very truly yours,  
Julie Patterson, Co-owner  
Jesscott, Inc., dba Lava Java Coffee Roasters of Maui  
julie@lavajavamaui.com



808.878.1266  
mauiwine.com

HC 1 Box 953  
Kula, HI 96790-9304

February 10, 2025

To     Donovan M Dela Cruz, Chair  
         Sharon Y. Moriwaki, Vice Chair  
         Members of the Ways & Means Committee

Re     SUPPORT SB 1278

Thank you for taking up this very important issue for the many members of the restaurant and hospitality industry.

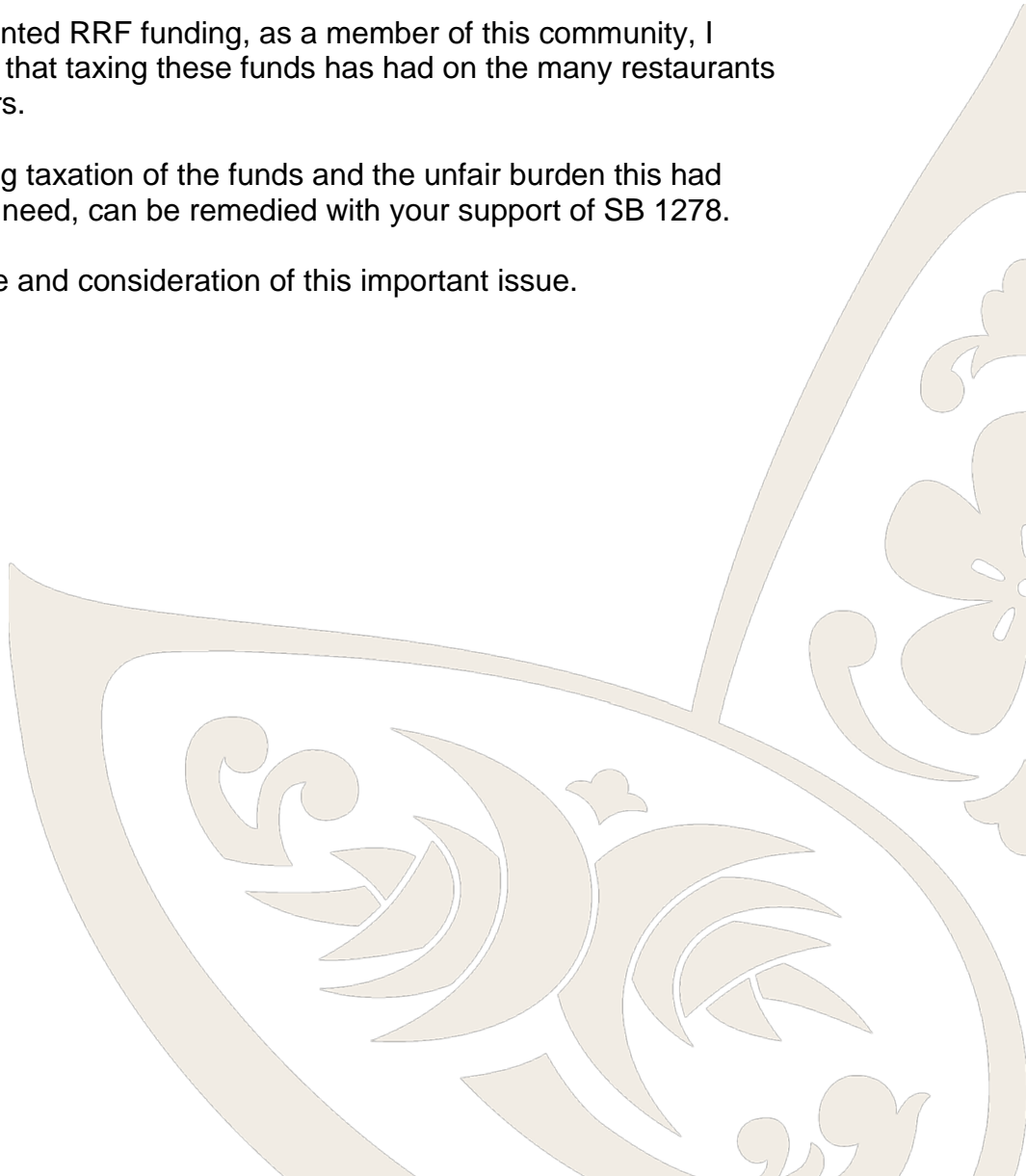
Although, I was not granted RRF funding, as a member of this community, I recognize the hardship that taxing these funds has had on the many restaurants and small entrepreneurs.

The confusion regarding taxation of the funds and the unfair burden this had companies in a time of need, can be remedied with your support of SB 1278.

Thank you for your time and consideration of this important issue.

Sincerely,

*Paula J. Hegele*  
President





Feb. 12, 2025, 10 a.m.  
Hawaii State Capitol  
Conference Room 211 and Videoconference

**LATE**

**To: Senate Committee on Ways and Means**  
**Sen. Donovan Dela Cruz, Chair**  
**Sen. Sharon Moriwaki, Vice-Chair**

**From: Grassroot Institute of Hawaii**  
**Ted Kefalas, Director of Strategic Campaigns**

RE: SB1278 — RELATING TO THE GENERAL EXCISE TAX

Aloha Chair Dela Cruz, Vice-Chair Moriwaki and other members of the Committee,

The Grassroot Institute of Hawaii **supports** [SB1278](#), which would exempt from the state general excise tax any grants received by Hawaii businesses under the COVID-19-era Restaurant Revitalization Fund and require the state Department of Taxation to issue refunds to businesses that have already paid the excise tax on RRF grants.

This bill would rectify an oversight by the state Department of Taxation and provide justice to the restaurants and eateries who were affected.

For some history: The Department of Taxation published a tax information release form in October 2020 stating that federal assistance programs such as the Paycheck Protection Program and Economic Injury Disaster Loans would not be subject to Hawaii's GET.

"Grants or other payments that replace or supplement income are normally subject to GET," DOTAX wrote. "However, in light of the severity of the economic impact of the COVID-19 pandemic, GET will not be imposed on payments received under PUA [Pandemic Unemployment Assistance], loan amounts forgiven under PPP, and EIDL Grants."<sup>1</sup>

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<sup>1</sup> ["Tax Information Release No. 2020-06 \(Revised\)"](#), Hawaii Department of Taxation, Oct. 20, 2020, p. 3.

It made sense to waive the general rule that all business income is subject to the GET, but DOTAX failed to update this waiver after Congress established the Restaurant Revitalization Fund in March 2021.

The RRF program provided grants of up to \$5 million per business location — not to exceed \$10 million for any one company — to replace income lost because of COVID-19.<sup>2</sup> In Hawaii, some 1,147 bars, restaurants and eateries received \$416 million in grants, equating to roughly \$362,900 per business.<sup>3</sup>

But because DOTAX never updated its tax release, these businesses in some cases had to pay thousands of dollars in GET on grants intended to help them stay afloat.

Bill Comerford, who before the lockdowns owned four Honolulu bars, is just one of the many people who were shocked that they had to pay tax on these grants.

“They’re taxing me ... for receiving \$3.1 million [in federal Restaurant Relief Funds], ..., which would be about \$160,000,” Comerford said in 2024. “That’s not chump change at all.”<sup>4</sup>

Russel Ryan, chief financial officer of the Highway Inn, said he was “astonished” when he learned the restaurant owed taxes on the RRF monies.

“And of course, you know, we’re a small company, but we have budgets. ... We were never, ever, never, ever made aware in order to budget for this particular tax,” he said.<sup>5</sup>

For entrepreneurs like Comerford and Ryan, this bill would right a three-year-old wrong.

Please advance SB1278.

Thank you for the opportunity to testify.

Ted Kefalas  
Director of Strategic Campaigns  
Grassroot Institute of Hawaii

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<sup>2</sup> “[Restaurant Revitalization Funding Program](#),” U.S. Small Business Administration, April 28, 2021, p. 6.

<sup>3</sup> “[Restaurant Revitalization Fund \(RRF\) FOIA](#),” U.S. Small Business Administration, last updated Oct. 21, 2024.

<sup>4</sup> “[‘Surprise’ state tax last straw for veteran Hawaii bar owner?](#)” Grassroot Institute of Hawaii, April 11, 2024.

<sup>5</sup> “[Will state Tax Department stick to its guns on restaurant tax?](#)” Grassroot Institute of Hawaii, Jan. 20, 2024.



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**LATE**

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211  
Wednesday, February 12, 2025 AT 10:01 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair  
The Honorable Senator Sharon Y. Moriwaki, Vice Chair  
Members of the committee on Ways and Means

**SUPPORT SB1278 RELATING TO THE GENERAL EXCISE TAX**

The Maui Chamber of Commerce **SUPPORTS SB1278** which establishes that any grants received from the federal Restaurant Revitalization Fund (RRF) by an eligible business pursuant to the American Rescue Plan Act of 2021 shall not be subject to state general excise tax. Requires any state general excise tax paid by eligible businesses for RRF grants to be refunded to the tax payer. Applicable to taxable years beginning after 3/11/2021.

The Chamber notes that the department of taxation announced that the general excise tax exemption applicable to the forgiven PPP loans and EIDL Grants under the CARES Act does not apply to the RRF grants under ARPA, despite the purpose of RRF grants aligning with the rationale behind the PPP and EIDL Grants.

We support the intent of the bill to exempt Restaurant Revitalization Fund grants received by eligible businesses pursuant to the American Rescue Plan Act of 2021 from the state general excise tax.

For these reasons, we **SUPPORT SB1278**.

Sincerely,

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.

**SB-1278**

Submitted on: 2/10/2025 8:47:20 AM

Testimony for WAM on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jeff Martin	Testifying for Maui Brewing Company	Support	Written Testimony Only

Comments:

February 10, 2025

**COMMITTEE ON WAYS AND MEANS**

Sen. Donovan Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Jeffrey Martin, and I live in Kailua, Hawai‘i. I am the Chief Operating Officer of Maui Brewing Company Restaurants and we operate four restaurant locations on O‘ahu and Maui. We employ over 500 local residents and provide food and beverage services to our communities.

We are testifying in **STRONG SUPPORT** of Senate Bill 1278.

During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even after reopening.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential to keep our restaurant going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn’t see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

We do not think that is right, and that is why we are in support of this bill.

Sincerely and with aloha,

Jeffrey A. Martin, Chief Operating Officer

Maui Brewing Co. Restaurants

**LATE**

**SB-1278**

Submitted on: 2/11/2025 12:06:43 PM

Testimony for WAM on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Chris Thibaut	Testifying for Maui Brewing Co. Restaurants	Support	Written Testimony Only

Comments:

February 10, 2025

**COMMITTEE ON WAYS AND MEANS**

Sen. Donovan Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Chris Thibaut and I live in Kailua, Oahu. I am the owner and CEO for Maui Brewing Co. Restaurants. We have 4 restaurants on Maui and Oahu as well as a brewery on Maui.

We are testifying in **STRONG SUPPORT** of Senate Bill 1278.

The COVID-19 pandemic in 2020 and 2021, was devastating for our industry and our restaurants.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawai'i general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential to keep our restaurant going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

We do not think that is right, and that is why we are in support of this bill.

Thanks for your consideration here,

Chris Thibaut

CEO - MBC Restaurants

**SB-1278**

Submitted on: 2/11/2025 8:49:05 AM

Testimony for WAM on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Michael Miller	Testifying for Tiki's Grill & Bar	Support	Written Testimony Only

Comments:

I am testifying in **STRONG SUPPORT** of Senate Bill 1278.

During the COVID-19 pandemic, our business, like so many others, struggled under lockdowns and restrictions that deeply impacted our ability to operate. Federal relief programs like the Paycheck Protection Program (PPP) and the Restaurant Revitalization Fund (RRF) were critical lifelines, helping us keep our doors open and retain employees.

SB 1278 corrects unfair taxation and aligns Hawai‘i with other states that have exempted RRF grants from similar taxes. By passing this bill, you will ensure that Hawai‘i's restaurant industry is not penalized for accepting federal relief that was designed to help, not harm, businesses.

I respectfully urge the committee to pass SB 1278 and restore fairness for local restaurants and small businesses.

**Mahalo for your time and consideration.**

**Michael Miller | Director of Operations / Partner**

**Tiki's Grill & Bar**



**SB-1278**

Submitted on: 2/10/2025 11:24:50 AM

Testimony for WAM on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Chuck Spence	Individual	Support	Written Testimony Only

Comments:

**COMMITTEE ON WAYS AND MEANS**

Sen. Donovan Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice-Chair, and Members of the Committee:

I am a previous owner of a small hotel and restaurant. My name is Chuck Spence, and I live in Haiku, Hawai'i. I am the owner of Maui Sunseeker LLC previously operating one location in Kihei. We were a boutique 30 room hotel and restaurant..

We are testifying in **STRONG SUPPORT** of Senate Bill 1278.

I'm a fortunate owner who sold prior to the pandemic, but our hearts are with the owners who endured the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting everyone even when we were allowed to open.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential to keep our restaurant going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

We do not think that is right, and that is why we are in support of this bill.

Very truly yours,

Chuck Spence

**SB-1278**

Submitted on: 2/10/2025 11:59:28 AM

Testimony for WAM on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Suzanne Chambers Turley	Individual	Support	Written Testimony Only

Comments:

**February 10, 2025****COMMITTEE ON WAYS AND MEANS**

Sen. Donovan Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Suzanne Chambers Turley, and I reside in St Helena California. I am the President and owner of Chambers & Chambers Wine Merchants, a wholesales wine distributor in both California and the Hawaiian Islands. We sell a portfolio of premium wines to all the Hawai'i Islands and done so since 1979. Chambers was hit very hard during the pandemic and especially so in 2020 & 2021, as our restaurant partners were impacted greatly by the lack of Tourism. Tourism in Hawai'i was hugely impacted in 2020 & 2021 as has been widely written.

We are testifying in **[SUPPORT]** **[STRONG SUPPORT]** of Senate Bill 1278.

During the COVID-19 pandemic in 2020 and 2021, business faced significant financial challenges due to island-wide lockdowns and government mandates, even when they were allowed to operate. Like many local businesses, they had to adapt quickly to continue serving their customers and keeping their employees on the payroll.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP), which provided their business with a critical lifeline during those tough times. In 2020, the Tax Department ruled that income received from the PPP, which was forgiven by the government, would not be subject to Hawai'i's general excise tax. This ruling gave a much-needed sense of relief as restaurants navigated through the pandemic.

In 2021, the federal government rolled out the Restaurant Revitalization Fund (RRF), a program designed specifically for the restaurant industry, similar in structure to the PPP. Restaurants applied for the RRF and were informed that the loan would be forgiven only if the funds were used on approved expenses. If the funds were not used properly, they would be required to repay the amount.

The restaurants I've spoken with spent the full RRF funding on eligible expenses, following all the guidelines. They understood that, like the PPP, the RRF funds would not be subject to general excise tax. However, in 2023, they were surprised to learn that the Tax Department was requiring them to pay general excise taxes on the forgiven RRF grants.

Given that the state had previously ruled that the PPP loan forgiveness was exempt from excise tax, they and other restaurants believe the same ruling should apply to the RRF grants. The decision to demand payment for taxes on these grants undermines the intent of the federal assistance programs and adds further financial burden to businesses already struggling to recover from the pandemic.

This is why I strongly support Senate Bill 1278, which would ensure that forgiven funds from programs like the RRF are exempt from the general excise tax. We urge you to support this bill, as it will provide much-needed relief to businesses that were significantly impacted by the pandemic. My concern is that if not supported many of the businesses that are still struggling will be forced to close their doors.

Thank you for your time and consideration.

Very truly yours,  
Suzanne Chambers Turley  
President  
Chambers & Chambers Wine Merchants  
707-337-8422 or [s\\_chambers@chamberswines.com](mailto:s_chambers@chamberswines.com)

February 10, 2025

COMMITTEE ON WAYS AND MEANS

Sen. Donovan Dela Cruz, Chair/Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Bev Gannon and I am testifying FOR Senate Bill 1278.

I have lived on Maui for 45 years. I owned and operated three successful restaurants, Hali'imaile General Store for 36 years, Joe's Bar and Grill for 19 years, and Gannons 15 years. I employed over 100 people. COVID almost closed the doors forever. The struggle was monumental. Without the federal grants we would never have been able to reopen. Without the RRF monies, we might not have been able to stay open. I ran a very successful catering business for 38 years. That business did not survive COVID, no matter how hard we tried to keep it going.

We were told quite a few times, verbally on phone calls, that we did not owe GET tax on the RRF grant monies. I have to say I was shocked when two years later all restaurants that received RRF monies were told we would have to pay GET tax on that money, even though all other COVID related monies did not.

During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open. The Federal government programs helped us through the desperate times. The State of Hawaii helped us by not making us pay GET tax on that money, which was extremely helpful during that time.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. That funding turned out to be essential to keep our restaurants going and to keep our workers employed. We spent the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program. Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

Please pass Senate bill 1278.

Respectfully,

Bev Gannon

(808)870-2225 hgsboboli@gmail.com

February 10<sup>th</sup> 2025

Committee On Ways and Means  
Sen. Donovan Dela Cruz, Chair  
Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice Chair, and Members of the Committee:

My name is Rebecca Cook-Schillaci and I live in Maui, Hawaii. I was the COO of Bev Gannon Restaurants which included Haliimaile General, Gannons and Celebration Catering.

The uncertainty and stress of navigating the Covid-19 pandemic in 2020 and 2021 was overwhelming to say the least. Having to lay off over 100 employees with no idea of when we could offer some hope of employment for them.

I understood that the (PPP) loans we received were not subject to Hawaii general excise tax.

After applying and receiving the much-needed Restaurant Revitalization Fund and told we would be eligible for forgiveness if we used the money for expenses approved by the Government. We believed that the 2020 general excise tax ruling would also apply to the RRF grants, I did contact The Hawaii Excise Tax office in Maui was told that we would not need to pay the excise tax.

While these funds were life altering to our business and helped many Maui residents stay employed, we would have budgeted the money received if we were aware of the GE tax liability.

To be asked after the fact in 2023 is quite shocking and I do not believe this is right and that is why I am in support of this bill.

Very truly yours,

Rebecca Cook Schillaci

February 10, 2025

COMMITTEE ON WAYS AND MEANS

Sen. Donovan Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Luis Fuentes, and I live in Lahaina, Hawai'i. I am the owner of Island Catering which operates in Lahaina. We provide catering to local businesses and run multiple food trucks on the west side of Maui.

We are testifying in **STRONG SUPPORT** of Senate Bill 1278.

During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax.

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential to keep our restaurant going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

We do not think that is right, and that is why we are in support of this bill.

Very truly yours,

Luis Fuentes  
Island Catering, LLC

**SB-1278**

Submitted on: 2/10/2025 8:22:03 PM

Testimony for WAM on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Roy Yamaguchi	Testifying for Roy Yamaguchi Group of Restaurants	Support	Written Testimony Only

Comments:

February 10, 2025

COMMITTEE ON WAYS AND MEANS

Sen. Donovan Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Roy Yamaguchi. Roy's Hawaii operates 10 restaurants in the state of Hawaii and employs more than 800 employees statewide.

I am testifying in strong of Senate Bill 1278 and appreciate your consideration. The PPP and RRF funds proved lifesaving for us. We appreciate any tax relief you can provide as the restaurant industry continues to be a challenge with the Maui wildfires and the Japanese currency depressed dampening tourism in much of 2023.

Mahalo for your consideration,

Roy Yamaguchi



**SB-1278**

Submitted on: 2/10/2025 8:27:43 PM

Testimony for WAM on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Peter Merriman	Individual	Support	Written Testimony Only

Comments:

February 10th 2025

**COMMITTEE ON WAYS AND MEANS**

Sen. Donovan Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice-Chair, and Members of the Committee:

My name is Peter Merriman, and I live in Paia, Hawai‘i. I am the owner of Merriman's Restaurants operating 11 locations on all four major Hawaiian Islands. We employ over 1,000 residents.

We are testifying in strong support of Senate Bill 1278.

During the COVID-19 pandemic in 2020 and 2021, we faced severe financial pressures due to island-wide lockdowns and government mandates affecting us even when we were allowed to open.

Fortunately, the federal government enacted programs such as the Paycheck Protection Program (PPP) that gave our business a lifeline. The Tax Department ruled in 2020 that income that we realized through the PPP, which we realized when the Government forgave the loan that it made to us when we applied to the PPP, was not subject to Hawaii general excise tax

In 2021, the new administration enacted the Restaurant Revitalization Fund (RRF), a program specifically for the restaurant industry but that worked similarly to the PPP program. We applied for funds from the RRF, and the Government told us that the loan of those funds would be forgiven if, and only if, those funds were spent on expenses approved by the Government. If the money was not spent, or was spent on unapproved expenses, the money had to be returned.

That funding turned out to be essential to keep our restaurant going and to keep our workers employed. We spent all of the funding on Government-approved expenses. We thought that the 2020 general excise tax ruling would also apply to the RRF grants, and we didn't see in the RRF program guide that payment of state excise taxes was an approved expense for the RRF program.

Then, in 2023, we were surprised to learn that the Tax Department was demanding payment of back general excise taxes on the RRF grants.

We do not think that is right, and that is why we are in support of this bill.

Sincerely,

Peter Merriman

**SB-1278**

Submitted on: 2/11/2025 3:45:27 AM

Testimony for WAM on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Bill Comerford	Testifying for Hawaii Bar Owners Association/ E&J Lounge operating co	Support	In Person

Comments:

testimony SB 1278

E & J Lounge Operating Company DbA Irish Rose Saloon

DbA Anna O'Briens

PO Box 75097

Honolulu, HI 96836

808-223-3997

February 10, 2025

COMMITTEE ON WAYS AND MEANS

Sen. Donovan Dela Cruz, Chair

Sen. Sharon Y. Moriwaki, Vice Chair

Dear Chair, Vice-Chair, and Members of the Committee:

I STRONGLY SUPPORT PASSAGE OF THIS BILL SB1278

I, Bill Comerford am the last remaining member and chairman of the Hawaii Bar Owner Association, (HIBOA) an organization of liquor license holders in the bar, restaurant and nightclub industry here in Hawaii destroyed through COVID lockdowns,

In March of 2020 I was the president of E & J Lounge Operating Co. operating multiple bars and nightclubs on Oahu since 1984 ( The Irish Rose Saloon, Kelley O'Neil's, O'Toole's Irish Pub and Anna O'Brien's All live music bars and clubs) we operated a successful operation for decades. At the point of the COVID lockdowns we were doing 6.5 million a year with no debt. We had 80 plus employees many with benefits and profit sharing plans if they worked the 20 hour week. It was a successful company.

We closed mid March under the lockdowns and received PPP FUNDS and an EIDL Loan in April

All of which were applied appropriately and gone by June before we had a chance to reopen. It was distributed according to congressional law 75% toward payroll and only 25% toward insurance, rent, CAM, utilities and taxes. Which covered only one month of expenses.

When we were allowed to open on June 19 under severe restrictions. We had no income for 3 months and one may ask why Mayor Caldwell let the Oahu bars open then, sadly it was for government purposes and not the benefit of bars since every liquor license on the island of Oahu expires and must renew there annual liquor license fees and the purchase of a million dollar liquor liability policy for renewal on June 30 th .( The Honolulu Liquor Commission is funded by those application fees.) After completing the renewal process Mr Caldwell then closed us for the remainder of his term in January of 2021. During this time Bars were open throughout the state except for Oahu under our mayor and health department.

We closed all operations in August with inadequate income and increasing debt of more than a million. The City board of Economic Revitalization recommended we borrow a million dollars, I'm sorry but do you know any banks loaning a million dollars to a company with no income and no chance to operate? I said I can't do that, so they said why don't you sell your bars? Do you know anybody who wants to buy a business they can't open?

So we closed.

Losing massive amounts of hard earned funds including personal retirement funds.

With a last hope we tried applying for Shuttered Venue Grants having live music venues. That program opened for applications in October and if you were applying you were not allowed any further PPP money. That program never fully materialized and dragged well into April of 2021 and we were excluded from the program because we didn't have fixed seats.

We then applied for the RRF program, that was introduced in the spring of 2021. Being severely in debt we applied and were successful in gaining the grant for 3.1 million to be applied and fully used to reopen our closed operations and be fully utilized by March of 2023. It was a blessing and a curse. All funds were used while we opened again two bars Irish Rose Saloon and Anna O'Briens under severe restrictions but lost two key operations Kelley O'Neil's and O'Toole's to dramatic forced sales not reflective of their value in prior sales. We were open not to thrive but to become the hostility industry rather than hospitality industry. We took names, addresses, vaccination cards, checked masks, separated people, secured surfaces and entrances and exits and had to close at 10 pm historically the time of night our business starts.

Just because your open doesn't mean you are making rent, payroll , insurance, utilities, taxes, cost of goods, it has been a losing process to this day.

Meanwhile I'm 72 working everyday, my retirement has dwindled rapidly trying to keep it alive in a truly unfriendly business state. Upon reopening I lost all management, my partner exited to Florida, my controller moved to Texas, my bookkeeper to Oregon. I was running it alone and dying from it. My blood pressure has been in the stroke range for a year 210/180 as I am audited by the Liquor commission for under reporting sales, I know guys I used to do 1.3 million in sales and you question why I reported 63k but you closed me that's actual sales for a year. I'm audited by the labor department for labor practices and passed and the tax department for The GET for 160k which without your forgiveness here will end up closer to 300 k with penalties and interest.

I have come to two choices,

1/ close and leave hawaii after 45 years here in the bar and club industry or

2/ stay, go broke and die from government inflicted stress.

After all I did nothing wrong but operate bars and clubs in Hawaii for 45 years, Irish pubs where I helped maintain the Friends of Saint Patrick, assure the St Patrick Day parade for 20 years, engaged with Don Murphy to put on the Downtown block party, provided irish Dance classes on my business property, Irish music from around the world, golf tournaments and events , weddings, wakes and social gatherings, and provide nightclubs with live dance music every day of the year. All things that HTA and government asked of me. The creation of Celtic Days of Honolulu and Hawaii both signed by Mr Caldwell and Governor Ige. with me at their desks.

During this Pandemic that lasted for 3 years those respected gentleman never took a call, an email, a text or a letter to communicate with anyone in our industry.

Committee please recognize that nobody in government gave a damn about our industry and still doesn't till this day. You put all the good and experienced operators out of business and walked away.

No reply from my congressman , no reply from my senator, the speaker of the house and senate, the DDEBT, the HIEMA , any of the appointed members of the mayors recovery committee. Not the health department, its directors or epidemiologis. Government was absent, at home and taking care of itself.

I quote the Hawaii Small business bill of rights pretending that all small businesses have as rights in this state according to DDEBT.

[https://sbrrb.hawaii.gov/wp-content/uploads/SBRRB\\_Bill\\_of\\_Rights\\_2023.pdf](https://sbrrb.hawaii.gov/wp-content/uploads/SBRRB_Bill_of_Rights_2023.pdf)

Hawaii Small business bill of rights

Small business owners and operators should be informed of their rights, responsibilities and obligations and be assured that these rights will be protected throughout their contact with agencies and departments of the State of Hawaii, among them:

1/The right to expect state agencies to provide a prompt, accurate, and courteous response to a request for information and to work together to ensure ready access to the information needed to assist businesses in their relationships with state government;

Please enact this currently fictitious Bill of Rights for small businesses and change your focus from party only politics and show a bit of aloha to all the businesses that suffered through to survive by means of the RRF in 2021 those who were more damaged and not forgiven than those in 2020 who had their forgiveness.

Please pass SB 1278

Sincerely,

Bill Comerford

President of

E& J Lounge Operating Company

Chairman of HIBOA



## Testimony to the Senate Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

Wednesday, February 12, 2025, at 10:01 AM

Conference Room 415 & Videoconference

**LATE**

### RE: SB1278 Relating to the General Excise Tax

Aloha e Chair Aquino, Vice Chair Lee, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 1278 (SB1278), which establishes the Future Career and Technical Education Teacher Scholarship Program to be administered by the Department of Education to facilitate the recruitment and retention of career and technical education teachers in Hawai'i public schools. Establishes the Future Career and Technical Education Teacher Scholarship Special Fund.

SB1278 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Business Services. This bill promotes policies that drive economic growth, enhance workforce opportunities, and improve the quality of life for Hawaii's residents.

Providing financial relief for Hawaii's food and beverage industry remains crucial. Federal programs like the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) Grants helped small businesses, with forgiven loans and grants exempt from Hawaii's general excise tax (GET). Similarly, the Restaurant Revitalization Fund (RRF) under the American Rescue Plan Act (ARPA) was designed to support pandemic-affected restaurants. However, unlike PPP and EIDL grants, RRF grants were taxed, adding financial strain on struggling businesses.

This bill corrects that imbalance by exempting RRF grants from GET and refunding taxes already paid, retroactive to taxable years beginning after March 11, 2021. By eliminating this unexpected cost, it aids restaurant recovery and job retention. The Chamber supports this bill to ensure fair tax policies, protect small businesses, and strengthen Hawaii's economic recovery.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass Senate Bill 1278. Thank you for the opportunity to testify.



February 12, 2025  
SB1278 – Relating to the General Excise Tax  
From da Cove “Health Bar”

**LATE**

Members of the Committee:

I would like to sincerely thank the members who have brought this issue to light.

In 2021, when I applied for the RRF loan, I was told by the Small Business Administration that these funds would be like a grant, which would NOT have to be paid back as they were emergency funds to help struggling restaurants keep their doors open and keep their employees working.

About two-and-a-half years after receiving the funds, I got a call from a tax auditor that the State was assessing GET on these funds. As you can imagine, I was totally confused. Both my accountant and I thought this was an error. But after refiling my taxes and getting my tax assessment in December of 2024, I was floored. Not only was the GET being issued against these emergency funds, but the State tacked on penalties and interests. WOW!!! How can this be!

I question, how can the State do this to small businesses in particular restaurants, an industry that has one of the smallest margins. I’m a mom-and-pop shop who has been in business since 2003. Having a small restaurant is hard work, but I’ve always enjoyed it because I thought I was providing a needed service to my community. Since COVID, we have struggled. Trying to rebuild our customer base as tourism has been down. Trying to deal with unprecedented rise in cost of goods, increases in minimum wage and a shortage in workforce and various other factors.

I question, how can this be pono. Can the State really issue taxes, penalties, and interests, after the fact! Can they discriminate against just restaurants, while other industries who have received similar type emergency funds were not taxed!

You always hear that adage, that small businesses are the backbone of our economy. Look around, so many small restaurants have shut down and certainly more will continue to close its doors.

I’ve always been a good soldier. Never complaining and just working hard to keep my doors open. But with this injustice, I had to speak out. And I look to each of you and to the Governor, to right this wrong that has occurred.

Mahalo for this opportunity to testify in support of SB1278.

Ann Takiguchi  
da Cove “Health Bar”