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TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 1468, Relating to General Excise Tax Exemptions.

BEFORE THE:

Senate Committee on Agriculture and Environment

DATE: Monday, February 10, 2025

TIME: 1:01 p.m.

LOCATION: State Capitol, Room 224

Chair Gabbard, Vice-Chair Richards, III, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following testimony in support of S.B. 1468, an Administration measure, for your consideration.

S.B. 1468 repeals two general excise tax (GET) exemptions that are rarely claimed by taxpayers. Good tax policy dictates that taxes should be simple, equitable, and transparent. Unused or under-utilized exemptions complicate the tax system, benefit relatively few taxpayers, and may not be publicly scrutinized because even the release of aggregated claims data risks compromising taxpayers' confidentiality. Therefore, tax exemptions that are not used should be repealed.

S.B. 1468 first repeals the exemption for amounts received by independent sugar cane farmers under section 237-24(14), Hawaii Revised Statutes (HRS). No taxpayers claimed this exemption in 2020 and 2021, and so few taxpayers claimed this exemption in 2022 and 2023 that DOTAX cannot release data on its usage without risk of identifying the claimants.

S.B. 1468 also repeals the GET exemption under section 237-24(17), HRS, for amounts received by a contractor of the Patient-Centered Community Care program that is established by the United States Department of Veterans Affairs pursuant to title 38

United States Code section 8153. No taxpayers claimed this exemption in 2019, 2020, 2021, 2022, and 2023 (2023 data is the most recent available), indicating little benefit for the public.

This measure takes effect on January 1, 2026, which will provide DOTAX with sufficient time to make the necessary form, instruction, and system changes.

Thank you for the opportunity to provide comments in support of this measure.

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SUBJECT: GENERAL EXCISE; Exemptions for Sugar Cane Growers and Patient-Centered Community Care Programs

BILL NUMBER: SB 1468, HB 1149

INTRODUCED BY: SB by KOUCHI by request, HB by NAKAMURA by request (Governor's Package)

EXECUTIVE SUMMARY: Repeals the general excise tax exemption for amounts received by independent sugar cane farmers. Repeals the general excise tax exemption for amounts received by a contractor of the Patient-Centered Community Care program that is established by the United States Department of Veterans Affairs pursuant to title 38 United States Code section 8153.

SYNOPSIS: Repeals section 237-24(14), HRS, general excise tax exemption for amounts received by a producer of sugarcane from the manufacturer to whom the producer sells the sugarcane.

Repeals section 237-24(17), HRS, general excise tax exemption for amounts received by a contractor of the Patient Centered Community Care program that is established by the U.S. department of Veterans Affairs pursuant to title 38 United States Code section 8153, as amended, for the actual costs or advancements to third party health care providers pursuant to a contract with the United States.

Makes a conforming change to section 421H-4(c) to reflect the numbering change.

EFFECTIVE DATE: January 1, 2026.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Taxation and designated TAX-05 (25).

The Department states that the purpose of this bill is to get rid of exemptions that are rarely claimed.

We do not doubt that the exemptions mentioned in this bill are rarely used.

Digested: 2/9/2025