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STATE OF HAWAII
DEPARTMENT OF TAXATION

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 933, Relating to General Excise Tax Reductions.

BEFORE THE:

House Committee on Human Services & Homelessness

DATE: Thursday, January 30, 2025

TIME: 9:35 a.m.

LOCATION: State Capitol, Room 329

Chair Marten, Vice-Chair Olds, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 933 for your consideration.

Section 2 of H.B. 933 adds two new sections to chapter 237, Hawaii Revised Statutes (HRS). The first proposed section beginning on page 3 imposes a reduced general excise tax (GET) rate on the proceeds received from the sale of groceries eligible for purchase under the supplemental nutrition assistance program (SNAP) and special supplemental nutrition program for women, infants, and children (WIC) within the State, regardless of the means of purchase and the eligibility of the purchaser for the SNAP and WIC programs. The reduced rate is one-half percent less than the rate applied under section 237-13, HRS (4%).

The bill requires DOTAX to consult with the federal Food and Nutrition Service of the United States Department of Agriculture to determine if further definition of the term "groceries" is needed.

The next proposed section beginning on page 4 imposes a reduced GET rate on the gross proceeds or income received from the sale of nonprescription drugs. The reduced rate is one-half percent less than the rate applied under section 237-13, HRS (4%).

Section 3 of the bill requires the Department of Business, Economic Development, and Tourism (DBEDT) to conduct an economic cost-benefit analysis on the general excise tax reductions in section 2 of the bill.

The measure has an effective date of July 1, 2025.

DOTAX notes that the measure may complicate reporting for taxpayers and businesses, who will likely need to track and report receipts of sales subject to the proposed reduced rates separately from sales subject to the normal 4% rate.

DOTAX also requests the measure take effect on January 1, 2027 to allow for form and instruction changes necessary to implement the proposed reduced rates for sales of eligible groceries and nonprescription drugs. This would also allow taxpayers, particularly businesses, to update their accounting systems to comply with the changes in this measure.

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



Date: January 30, 2025

Subject: Hawai'i Foodbank in Support of HB 933 Relating to General Excise Tax Reduction

Aloha Chair Marten, Vice Chair Olds, and members of the committee,

On behalf of Hawai'i Foodbank, I express our support for HB 933, Relating General Excise Tax Reduction. This bill reduces the general excise tax rate on the gross proceeds or income from the sale of groceries that are eligible under the supplemental nutrition assistance program (SNAP) or special supplemental nutrition program for women, infants, and children (WIC), regardless of the means of purchase and the program eligibility of the purchaser; reduces the general excise tax rate on the gross proceeds or income from the sale of nonprescription drugs; and requires DBEDT to conduct an economic cost-benefit analysis on the GET reductions.

As the state's largest hunger-relief organization, Hawai'i Foodbank has been committed to ensuring no one in Hawai'i goes hungry since 1983. We work with over 225 agency partners on O'ahu and Kaua'i to distribute food, and programs like Food 4 Keiki and 'Ohana Produce Plus provide nutritious meals to children and families. In addition to addressing daily needs, our organization mobilizes during emergencies to provide immediate relief and aid long-term recovery efforts.

Food insecurity is a growing crisis in Hawai'i, with nearly 1 in 3 households struggling to access adequate food. One in ten households go a whole day without food some or most months. The recent 2024 ALICE in Hawai'i report, released by Aloha United Way, underscores the broader economic challenges fueling food insecurity. 40% of Hawai'i's families are at the ALICE (asset-limited, income-constrained, employed) threshold or below. These households live paycheck to paycheck, and nearly half of those below the ALICE threshold face food insecurity. Taxing the sale of groceries disproportionately impacts these families, affecting not only the amount of food that Hawai'i families can afford, but also the quality and diversity of their food choices.

Reducing the amount of money families must spend to purchase healthy, adequate food is a critical step in the fight against hunger and we urge you to consider this important measure.

With aloha,

Amy Miller
President and CEO, Hawai'i Foodbank

Thursday, January 30, 2025, at 9:35 AM
Via Video Conference; Conference Room 329

House Committee on Human Services & Homelessness

To: Representative Lisa Martin, Chair
Representative Ikaika Olds, Vice Chair

From: Michael Robinson
Vice President, Government Relations & Community Affairs

Re: **Testimony in Support of HB 933
Relating To General Excise Tax Reductions**

My name is Michael Robinson, and I am the Vice President of Government Relations & Community Affairs at Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawai'i.

HPH writes in SUPPORT of HB 933 which reduces the general excise tax rate on the gross proceeds or income from the sale of groceries that are eligible under the Supplemental Nutrition Assistance Program (SNAP) or Special Supplemental Nutrition Program for women, infants, and children (WIC). The measure also reduces the general excise tax rate on the gross proceeds or income from the sale of nonprescription drugs.

HPH has long recognized the relationship between healthy outcomes and food security, as well as the strong connection between access to healthy foods with health and wellness. HPH screens our in-patients across our facilities for indications of food insecurity and is acutely aware of the challenge it is for our patients. The link between a healthy diet and healthy living is well established where lower food insecurity is linked to lower risk of obesity, heart disease, type 2 diabetes and certain cancers. Healthy eating can help people with chronic diseases manage these conditions and avoid complications. The crisis in food security among the most vulnerable population has been reported and has come to light more recently in the Aloha United Way's 2024 ALICE Report. The Report indicated that 28% of households statewide face food insecurity; nearly half (46%) of households below the ALICE Threshold do not have consistent access to food.

Only thirteen states tax most foods purchased for consumption at home from the state sales tax. Six of the states that tax groceries do so at a reduced rate. Taxing the sale of groceries is generally considered regressive and disproportionately hurts working families because they spend a higher percentage of their income on food. Hawaii's general excise tax on groceries negatively affects not only the amount of food that Hawaii families can afford, but also the quality and diversity of their food choices. Reducing the rate of the

general excise tax on the sale of groceries eligible under the SNAP and WIC programs as well as nonprescription drugs will have an immediate positive effect on our cost of living by making these items more affordable.

Thank you for the opportunity to testify.

Jan. 30, 2025, 9:35 a.m.
Hawaii State Capitol
Conference Room 325 and Videoconference

To: House Committee on Human Services and Homelessness
Rep. Lisa Marten, Chair
Rep. Ikaika Olds, Vice Chair

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

RE: HB933 — RELATING TO GENERAL EXCISE TAX REDUCTIONS

Aloha Chair Marten, Vice-Chair Olds and other members of the Committee,

The Grassroot Institute of Hawaii **supports** [HB933](#), which would lower the general excise tax by one-half of a percent for groceries eligible for purchase under the federal Supplemental Nutrition Assistance and Special Supplemental Nutrition programs for Women, Infants and Children programs and over-the-counter nonprescription medications.

The bill would also direct the Hawaii Department of Business, Economic Development and Tourism to conduct a cost-benefit analysis of the lower rate prior to the 2027 legislative session.

This is a good bill, one that would make an immediate difference when it comes to addressing Hawaii's high cost of living. Research shows that taxes on groceries contribute to less spending on meals at home¹ and higher food insecurity,² so lowering the tax for eligible groceries and nonprescription medications under these two federal programs, SNAP and WIC, would go a long way toward making Hawaii more affordable for these struggling Hawaii residents.

¹ 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.

² Jianqiang Zhao, "[Putting Grocery Food Taxes on the Table: Evidence for Food Security Policy-Makers](#)," Master's Thesis, Cornell University, Aug. 2020, p. iii.

In addition, the state's 4% general excise tax is regressive, hitting low and middle-income individuals and families the hardest, so again, an exemption affecting many of these families would help them keep foot on their tables.

This bill would also have broader benefits. The Georgia state auditor recently estimated that Georgia's sales tax exemption for groceries created more than 5,000 jobs and an additional \$807 million in economic output.³

For anyone concerned that tourists might be the primary beneficiaries of changes to the GET, HB933 limits the proposed exemption to only SNAP- and WIC-eligible groceries. The bill would retain the excise tax on restaurants and thus a significant amount of visitor food spending.

Regarding nonprescription medications and medical equipment and supplies, a GET exemption for these products would simply be in keeping with the logic behind the state's existing exemption for prescription drugs and prosthetics.⁴

If this bill is enacted, nonprescription medicines such as Tylenol and Advil would suddenly cost less, making it easier for many individuals suffering from everyday health conditions to find relief and save money.

In 2022, the Hawaii Department of Taxation director estimated that exempting groceries from the general excise tax could save taxpayers \$268 million.⁵ It is unclear how much this bill would save consumers, but it would nonetheless generate an appreciable amount of relief from Hawaii's cost of living.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

³ ["Tax Incentive Evaluation: Grocery Sales Tax Exemption,"](#) Georgia Department of Audits and Accounts, Dec. 13, 2022.

⁴ ["Hawaii General Excise & Use Tax Exemptions: Tax Year 2021,"](#) Hawaii Department of Taxation, Nov. 2022, p. 6.

⁵ Isaac Choy, ["Column: GET not as regressive as some believe,"](#) Honolulu Star-Advertiser, July 24, 2022.



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TO: Committee on Human Services and Homelessness

FROM: HAWAII FOOD INDUSTRY ASSOCIATION

Lauren Zirbel, Executive Director

DATE: January 30, 2025

TIME: 9:35am

RE: HB933 Relating to General Excise Tax Reductions

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

My name is **Lauren Zirbel**, and I am testifying **in strong support of HB 933**, which seeks to eliminate the General Excise Tax (GET) on groceries and nonprescription drugs in Hawai'i.

Hawai'i has one of the highest costs of living in the nation, placing immense financial strain on local families. The combination of **inflation, supply chain disruptions, and the economic effects of the COVID-19 pandemic** has exacerbated food insecurity, leaving **nearly 30% of households food insecure in 2023**, according to the Hawai'i Foodbank. On Hawai'i Island, the situation is even more dire, with **The Food Basket reporting a food insecurity rate of 40%**.

Under these circumstances, **taxing food is both unethical and unnecessary**. Grocery taxes disproportionately burden low- and middle-income families, exacerbating economic hardship and worsening food insecurity. **Hawai'i's 4.5% GET adds an estimated \$773 per year** in additional costs for a family of four under the USDA's Thrifty Food Plan. For many residents, this is the difference between putting food on the table and going hungry.

The Link Between Grocery Taxes and Food Insecurity

Decades of research confirm that grocery taxes **directly contribute to higher rates of food insecurity**:

- A **2021 study by Cornell University** found that even small increases in grocery taxes significantly increase the likelihood of food insecurity among low-income households.
- The **Food Research & Action Center (FRAC)** found that states with grocery taxes of **4% or more see a 3% increase in food insecurity**.
- The **Food Research & Action Center (FRAC)** found that states with grocery taxes of **4% or more see a 3% increase in food insecurity**.
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- According to a **2021 study published in Food Policy**, states that impose grocery taxes rank among the most food insecure in the country.

Furthermore, taxing essential food and medicine is **a regressive policy** that disproportionately affects kūpuna, low-income families, and individuals with disabilities. Families experiencing food insecurity **skip meals, purchase less nutritious options, and reduce portion sizes**, leading to negative long-term health outcomes.

Economic Benefits of Eliminating the GET on Groceries

The vast majority of U.S. states do not tax groceries because they recognize the harm it causes to families and the economy. In recent years, multiple states have taken action:

- **Kansas** began phasing out its **6.5% food tax in 2023**, reducing it to **4% in 2024**, with a plan to eliminate it entirely by 2025.
- **Alabama and Virginia** have also reduced or eliminated grocery taxes, implementing **phased approaches** to balance budgetary needs while providing immediate relief to residents.
- **Georgia's phased elimination of grocery taxes in the 1990s** resulted in **\$691.4 million in household savings, 18,577 new jobs, and \$1.45 billion in economic output by 2021**.

These examples show that states can remove grocery taxes **without jeopardizing their budgets**, while simultaneously **reducing food insecurity and boosting economic activity**.

Health and Social Consequences of Grocery Taxes

Taxing groceries and essential medicines contributes to **worse health outcomes**, particularly among children and vulnerable populations:

- **Higher rates of obesity, diabetes, and cardiovascular disease** as families rely on lower-cost, less nutritious foods.
- **Increased healthcare costs** due to the long-term impacts of food insecurity.
- **Negative effects on childhood development, education, and mental health** due to poor nutrition and chronic stress.

A study published in **Health Economics Review** found that **grocery taxes increase food insecurity, leading to worse health outcomes and higher healthcare costs**. Reducing the GET on groceries would provide much-needed relief, allowing families to prioritize nutrition, healthcare, and other essential expenses.

Conclusion

Hawai'i is already facing a severe food insecurity crisis, and continuing to tax groceries will only worsen the situation. Research consistently shows that **grocery taxes harm low-income families, increase food insecurity, and contribute to economic inequality**. Eliminating the GET on food and nonprescription drugs will:

- **Provide immediate financial relief to residents**
- **Reduce food insecurity and improve health outcomes**
- **Align Hawai'i's tax policy with the majority of U.S. states**
- **Stimulate the local economy by increasing consumer spending**

I respectfully urge the Legislature to pass **HB 933** and remove the GET on essential groceries and nonprescription drugs, ensuring that no Hawai'i resident has to choose between paying taxes and feeding their family.

Mahalo for the opportunity to testify.

Additional Sources:

<https://business.cornell.edu/hub/2021/05/18/researchers-find-grocery-taxes-harm-low-income-households/>

<https://www.audits.ga.gov/ReportSearch/download/28852>

<https://wfpc.sanford.duke.edu/research/grocery-food-taxes-and-evidence-for-food-security-policy-makers/>

<https://news.cornell.edu/stories/2021/05/study-grocery-taxes-increase-likelihood-food-insecurity>

<https://www.fns.usda.gov/snap/thriftyfoodplan>

TAX FOUNDATION OF HAWAII

LATE

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Reduction of Rate on Groceries; Nonprescription Drugs

BILL NUMBER: HB 933, SB 875

INTRODUCED BY: HB by ILAGAN, SB by FUKUNAGA

EXECUTIVE SUMMARY: Reduces the general excise tax rate on the gross proceeds or income from the sale of groceries that are eligible under the supplemental nutrition assistance program (SNAP) or special supplemental nutrition program for women, infants, and children (WIC), regardless of the means of purchase and the program eligibility of the purchaser. Reduces the general excise tax rate on the gross proceeds or income from the sale of nonprescription drugs. Requires DBEDT to conduct an economic cost-benefit analysis on the GET reductions. Loan Fund established under the Hawaiian Homes Commission Act, 1920, as amended.

SYNOPSIS: Adds two new sections to chapter 237, HRS. The first new section reduces the general excise tax rate by one-half percent, on gross proceeds or income received from the sale of all groceries eligible for purchase under the Supplemental Nutrition Assistance Program and Special Supplemental Nutrition Program for Women, Infants, and Children within the State (herein, both referred to as “Program”, regardless of the means of purchase and eligibility of the purchaser for Program benefits.

“Groceries” is defined as any food or food product for home consumption and may be further defined by the department by rule or tax information release after consultation with USDA.

Defines “food ” or “food product” as substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value.

The second new section to chapter 237, HRS, will on January 1, 2026, reduce the general excise tax rate by one-half per cent on gross proceeds or income received from the sale of nonprescription drugs.

“Nonprescription drug” is defined as any packaged, bottled, or nonbulk chemical, drug, or medicine that may be lawfully sold without a practitioner’s order.

Defines “drug” as:

(1) Articles recognized in the official United States Pharmacopoeia, official United States Pharmacopoeia Dispensing Information, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, or any supplement to any of these publications;

(2) Articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in humans;

(3) Articles, other than food or clothing, intended to affect the structure or any function of the body of humans; or

(4) Articles intended for use as a component of any article specified in paragraph (1), (2), or (3); provided that the term "drug" does not include devices or their components, parts or accessories, cosmetics, or liquor as defined in section 281-1.

Section 3 of the bill requires the Department of Business, Economic Development and Tourism to conduct an economic cost-benefit analysis on the bill's general excise tax reductions for calendar 2026 which is to be submitted prior to the convening of the 2027 regular session.

EFFECTIVE DATE: July 1, 2025.

STAFF COMMENTS: Food stamps and related payments such as under the Special Supplemental Nutrition Program for Women, Infants, and Children (known as WIC) are now exempt from general excise tax under HRS section 237-24.3(5) and the Department of Taxation has interpreted this exemption as covering payments under the SNAP program as well.

Similarly, the GET law has since 1986 exempted the sale of prescription drugs and prosthetic devices. Act 47, SLH 2024, exempted healthcare related goods or services purchased under Medicare, Medicaid, or TRICARE.

This bill is intended to address the high cost of living in Hawaii by proposing reductions in the general excise tax rate, rather than exemptions, on products consumed in Hawaii on a daily basis. The GET rate reduction for all groceries eligible for WIC and SNAP, even if not purchased with a SNAP card, presumably targets healthy food for consumption, even if the buyer is above the income requirements for SNAP. And the rate reduction for nonprescription drugs presumably is done to promote health care.

Digested: 1/28/2025