
A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that, in light of the
2 slow economy, there has been a decrease in consumer spending due
3 to the rising costs of goods as well as a change in consumer
4 behavior that favors saving more than spending. The legislature
5 further finds that more than a dozen states have suspended their
6 sales taxes on certain products, such as clothing, computers,
7 and school supplies, so that the tax cuts will stimulate the
8 economy and more than offset the loss of tax revenues.

9 A recent study, "The Washington Economics Group, Inc.; An
10 Analysis of the Costs and Benefits of a Sales Tax Holiday in
11 Florida; October 20, 2009", noted the empirical relationship
12 between a 2009 "Back to School" sales holiday and the level of
13 economic activity in Florida. The analysis found that the
14 school sales tax holiday would have a positive economic impact -
15 increasing gross sales by eight per cent for the month in which
16 it was held or increasing economic activity by roughly
17 \$1,700,000,000.



1 Additional impacts of a school sales tax holiday included
2 generation of 21,896 full-time equivalent jobs (seventy-one per
3 cent in retailing and the rest distributed over the economy as a
4 whole), an additional \$628,000,000 in labor income (sixty per
5 cent in retailing and the rest distributed over the economy as a
6 whole), and a net increase in state and local taxes of
7 \$118,000,000 as a result of increased economic activity.

8 Authors of the study pointed out that the school sales tax
9 holiday directly increased sales of items that remain taxable by
10 significantly increasing shopping traffic to retail
11 establishments, as well as indirectly increasing state and local
12 taxes because of the need for additional labor in the form of
13 temporary help or overtime work for existing employees.

14 In addition, in 2010, the senate committee on economic
15 development and technology and the house committee on economic
16 revitalization, business, and military affairs convened an
17 informal small business discussion group to address the most
18 critical issues facing the small business sectors within
19 Hawaii's economy. Representatives from The Chamber of Commerce
20 of Hawaii, construction and trades industries, community
21 nonprofits, the agricultural sector, food and restaurant
22 industries, retailing, the science and technology sector, the

1 commercial transportation industry, and interested stakeholders
2 developed a package of bills that address the most pressing
3 problems facing Hawaii's small business community.

4 The purpose of this Act is to support the findings of the
5 small business working group and recommendations to stimulate
6 Hawaii's economy for residents and retailers alike by reducing
7 the cost of certain consumer items for Hawaii residents for a
8 very limited time each year.

9 SECTION 2. Chapter 237, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "§237- Annual exemption; amounts not taxable. (a) For
13 the taxable year beginning after December 31, 2010, and
14 thereafter, there shall be an annual exemption from the
15 application of this chapter on amounts received from retail
16 sales of the items listed in this subsection that are transacted
17 over a period of five days beginning on Wednesday of the last
18 full week in July and ending at 12:00 midnight on the following
19 Sunday, regardless of whether the Sunday falls in July or
20 August:

- 21 (1) Books sold for less than \$50 per book;
- 22 (2) Clothing items sold for less than \$100 per item;



1 (3) Computers, computer software, and computer supplies
2 sold for less than a total of \$1,500; and

3 (4) School supplies sold for less than \$15 per item;
4 provided that all savings generated by this section shall be
5 passed on by the seller to the purchaser without any increase in
6 price. This exemption shall apply to the sale of certain retail
7 goods only and not to sales on items that will be resold in any
8 manner.

9 (b) The exemption provided in this section shall not apply
10 to:

11 (1) Rebates, layaway sales, rain checks, or exchanges when
12 the transactions occur before or after the tax holiday
13 period;

14 (2) Mail, telephone, e-mail, or internet orders with
15 businesses operating outside the State of Hawaii; and

16 (3) Amounts received from the retail sale of computer
17 systems, devices, software, and peripherals designed
18 or intended primarily for commercial use and
19 furniture.

20 (c) During the period of the annual exemption as described
21 in subsection (a):



- 1 (1) Items normally sold in sets of two or more shall not
2 be separated to qualify for the exemption;
- 3 (2) Articles normally sold as a unit shall not be
4 separated to qualify for the exemption;
- 5 (3) If exempt items are sold together with taxable
6 merchandise as a set or single unit, the full price
7 shall be subject to the general excise tax, unless the
8 price of the exempt item is separately stated;
- 9 (4) The total price of items advertised as "buy one, get
10 one free", or "buy one, get one for a reduced price",
11 shall not be averaged to qualify both items for the
12 exemption; and
- 13 (5) A retailer may offer discounts to reduce the retail
14 price of an item to permit the item to qualify for the
15 exemption.

16 (d) With regard to the exemption from the general excise
17 tax under this section, a retailer's records shall clearly
18 identify the type of item sold, the date the item was sold, and
19 the sales price of the item.

20 (e) As used in this section:

21 "Book" means a set of bound printed sheets published in a
22 hard or soft cover volume that has an identifiable international



1 standard book number. The term does not include magazines,
2 newspapers, periodicals, or any document printed or offered for
3 sale in non-bound form.

4 "Clothing" means any item of apparel intended for human
5 wear and includes footwear.

6 "Computer" means a laptop, desktop, or tower computer
7 system that consists of a central processing unit, random access
8 memory, a storage drive, a display monitor, and a keyboard, and
9 includes devices designed for use in conjunction with a
10 computer, such as a disk drive, memory module, compact disk
11 drive, daughterboard, digitalizer, microphone, modem,
12 motherboard, mouse, multimedia speaker, printer, scanner,
13 single-user hardware, single-user operating system, soundcard,
14 and video card.

15 "Computer software" means a set of coded instructions that:

- 16 (1) Is designed to cause a computer or automatic data
17 processing equipment to perform a certain task;
- 18 (2) Is readily available for retail purchase by the
19 general public either in physical form at a retail
20 location or as a digital download over the Internet;
21 and

1 (3) Does not consist of special customized programming
2 specifically written for or ordered by the end user
3 customer.

4 "Computer supplies" means:

5 (1) Computer storage media, including diskettes and
6 compact discs;

7 (2) Handheld electronic schedulers, except devices that
8 are cellular telephones;

9 (3) Personal digital assistants, except devices that are
10 cellular telephones;

11 (4) Computer printers; and

12 (5) Printer supplies for computers, including printer
13 paper and ink.

14 "School supplies" means items normally used by students in
15 a course of study in primary or secondary schools or
16 institutions of higher learning and include but are not limited
17 to:

18 (1) Backpacks;

19 (2) Binders;

20 (3) Book bags;

21 (4) Calculators;

22 (5) Cellophane tape;



- 1 (6) Chalk;
- 2 (7) Compasses;
- 3 (8) Composition books and notebooks;
- 4 (9) Crayons;
- 5 (10) Erasers;
- 6 (11) Folders -- expandable, pocket, plastic, or manila;
- 7 (12) Glue or paste;
- 8 (13) Highlighters;
- 9 (14) Index cards and boxes;
- 10 (15) Legal pads;
- 11 (16) Lunch boxes;
- 12 (17) Markers;
- 13 (18) Paper, including loose leaf ruled notebook, copy,
- 14 graph, tracing, manila, colored, or construction paper
- 15 or poster board;
- 16 (19) Pens, pencils, pencil boxes, and pencil sharpeners;
- 17 (20) Protractors;
- 18 (21) Rulers;
- 19 (22) Scissors;
- 20 (23) School or supply boxes; and
- 21 (24) Writing tablets.



1 The term shall not include watches, radios, compact disc
2 players, headphones, sporting equipment, copiers or other office
3 equipment, and fixtures."

4 SECTION 3. New statutory material is underscored.

5 SECTION 4. This Act shall take effect on July 1, 2050 and
6 shall apply to taxable years beginning after December 31, 2010.



Report Title:

General Excise Tax; Annual Exemption; School Supplies and Computers; Tax Holiday

Description:

Creates annual exemption from general excise tax on retail sales of: school supplies of less than \$15 per item; computers, computer software, and computer supplies of less than \$1,500 per purchase; clothing of less than \$100 per item; and books of less than \$50 per item, transacted during a five day period in the last full week of July; requires all savings generated to be passed on by the seller to the purchaser without any increase in price; clarifies items not included in the exemption. Effective 7/01/2050. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

