A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

SECTION 1. Chapter 237, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§237- Annual tax holiday. (a) Notwithstanding any law to the contrary, taxes under this chapter shall not be due on the sale of clothing or bags with a retail sales price of $60 or less per item or the sale of school supplies with a retail sales price of $15 or less per item that takes place during the period beginning at 12:01 a.m. on and ending at 12:00 midnight on ; provided that all savings generated by this section shall be passed on by the seller to the purchaser. This exemption shall apply to retail sales only and not to sales on items that will be resold in any manner.

(b) The exemption provided in this section shall not apply to:"
(1) The first $60 of an article of clothing or bag selling for more than $60 or the first $15 of a school supply item selling for more than $15;

(2) The rental of goods and services;

(3) Taxable services performed on retail items;

(4) Rebates, layaway sales, rain checks, or exchanges when the exchanges occur before or after the tax holiday period; or

(5) Items purchased via the internet, telephone, or mail-order.

(c) Multiple articles that are normally sold as a collective unit shall continue to be sold in that manner and shall not be priced separately and sold as individual items for the purpose of qualifying for the exemption.

(d) A retailer may offer a discount to reduce the retail sales price of an item; provided that if the discount reduces the retail sales price of an article of clothing or bag to $60 or less or the retail sales price of a school supply item to $15 or less, the item shall qualify for the exemption.

(e) The total retail sales price of items advertised as "buy one, get one free," or "buy one, get one for a reduced
price, “shall not be averaged for both items to qualify for the
exemption.

(f) A retailer shall not be required to obtain any special
license, permit, or other documentation on retail sales of
eligible items during the exemption holiday period; provided
that the retailer's records shall clearly identify the type of
item sold, the date the item was sold, and the retail sales
price of the item.

(g) For purposes of this section:

"Bag" includes handbags, backpacks, fanny packs, and tote
bags. The term does not include briefcases, suitcases, and
other garment bags.

"Clothing" means any article of wearing apparel, including
footwear, intended to be worn on or about the human body. The
term shall include but not be limited to cloth and other
material used to make school uniforms or other school clothing.

Items normally sold in pairs, such as socks and shoes, shall not
be separated to qualify for the exemption. The term shall not
include watches, watchbands, jewelry, handkerchiefs, umbrellas,
scarves, ties, headbands, or belt buckles.
"School supplies" means any item normally used by students in a standard classroom for educational purposes, including but not limited to, notebooks, paper, writing instruments, crayons, art supplies, rulers, handheld calculators, chalk, maps, binders, lunch boxes, markers, folders, scissors, tape, glue or paste, computer disks, protractors, and compasses."

SECTION 2. New statutory material is underscored.
SECTION 3. This Act shall take effect upon its approval.
Report Title:
General Excise Tax; Holiday

Description:
Establishes an annual general excise tax holiday for consumers and businesses that sell clothing and bags with a retail price under $60 and school supplies with a retail price under $15; provided that businesses pass savings on to consumers.

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