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## A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTIONS.

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

1           SECTION 1. The legislature finds that Hawaii has the  
2 highest cost of living in the nation. The general excise tax is  
3 levied on nearly all economic activity, which creates a highly  
4 regressive tax system by disproportionately affecting low-income  
5 and middle-class families as a percentage of total income.  
6 Although businesses are required to pay general excise taxes out  
7 of their gross receipts, those taxes are passed on to customers  
8 in the form of higher prices.

9           Food is a major expense for Hawaii families. In 2014, the  
10 average spent on food annually for a two-person household was  
11 \$9,978 in Maui county, \$9,901 in Kauai county, \$9,467 in  
12 Honolulu county, and \$7,676 in Hawaii county. An average two-  
13 person household would save over \$400 each year if food were  
14 exempt from the general excise tax, which is significantly more  
15 than the existing food income tax credit for low-income  
16 families. Larger households would have an even greater savings.



1 Thirty-two states plus the District of Columbia exempt  
2 groceries from their sales taxes, and another six states tax  
3 groceries at lower rates than other goods. The legislature  
4 finds that it is time for Hawaii to join this majority.

5 Health care is another major expense for local families.  
6 Hawaii is one of only a handful of states that taxes medical and  
7 dental services. Each physician supports an average of \$2.2  
8 million in annual economic output and 13.84 jobs. Hawaii's tax  
9 policy burdens the ability of medical professionals to support  
10 the local community and makes their services more expensive for  
11 residents. Forty-one states generally exclude medical services  
12 from their sales taxes.

13 Finally, feminine hygiene products are another necessity  
14 subject to the general excise tax. Feminine hygiene products  
15 are an essential purchase that cost women an average of \$300 a  
16 year. Several states that impose statewide sales or excise  
17 taxes similar to Hawaii exempt feminine hygiene products from  
18 taxation. Hawaii should follow these states by exempting  
19 feminine hygiene products from the general excise tax.

20 Because the general excise tax affects almost all areas of  
21 economic activity, it can make it difficult for average families



1 to afford basic life expenses like food and medical care. The  
2 purpose of this Act is to help alleviate the general excise tax  
3 burden on local households by exempting food, medical services,  
4 and feminine hygiene products.

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

8 §237- Amounts not taxable for food. (a) The excise tax  
9 assessed under this chapter shall not apply to amounts received  
10 for food or food ingredients.

11 (b) The excise tax assessed under this chapter shall apply  
12 to food or food ingredients that are furnished, prepared, or  
13 served as meals, except:

14 (1) In the case of persons sixty years of age or over, or  
15 who receive supplemental security income benefits, or  
16 disability or blindness payments under Title I, II, X,  
17 XIV, or XVI or the Social Security Act (42 U.S.C. 301  
18 et set., 401 et seq., 1201 et seq., 1351 et seq., 1381  
19 et seq.) and their spouses, meals prepared by and  
20 served in senior citizen's centers, apartment  
21 buildings occupied primarily by such persons, public



1           or private nonprofit establishments, eating or  
2           otherwise, that feed such persons, private  
3           establishments that contract with the appropriate  
4           agency of the State to offer meals for such persons at  
5           concessional prices, and meals prepared for and served  
6           to residents of federally subsidized housing for the  
7           elderly;

8           (2) In the case of persons sixty years of age or over and  
9           persons who are physically or mentally handicapped or  
10           otherwise disabled that they are unable to adequately  
11           prepare all of their meals, meals prepared for and  
12           delivered to them and their spouses at their home by a  
13           public or private nonprofit organization or by a  
14           private establishment that contracts with the  
15           appropriate state agency to perform such services at  
16           concessional prices;

17           (3) In the case of disabled or blind recipients of  
18           benefits under Title I, II, X, XIV, or XVI or the  
19           Social Security Act (42 U.S.C. 301 et seq., 401 et  
20           seq., 1201 et seq., 1351 et seq., 1381 et seq.), who  
21           are residents in a public or private nonprofit group



1           living arrangement that serves no more than sixteen  
2           residents and is certified by the appropriate state  
3           agency or agencies, meals prepared and served under  
4           such arrangement;

5           (4) In the case of women and children temporarily residing  
6           in public on private nonprofit shelters for battered  
7           women and children, meals prepared and served by such  
8           shelters; and

9           (5) In the case of households that do not reside in  
10           permanent dwellings and households that have no fixed  
11           mailing addresses, meals prepared for and served by a  
12           public or private nonprofit establishment approved by  
13           an appropriate state or local agency that feeds such  
14           individuals by private establishments that contract  
15           with the appropriate agency of the State to offer  
16           meals for such individuals at concessional prices.

17           (c) As used in this section:

18           "Alcoholic beverages" means beverages that are suitable for  
19           human consumption and contain one-half of one percent or more of  
20           alcohol by volume.



1        "Dietary supplement" means any product, other than tobacco,  
2 intended to supplement the diet that:

3        (1) Contains one or more of the following dietary  
4 ingredients:  
5            (A) A vitamin;  
6            (B) A mineral;  
7            (C) An herb or other botanical element;  
8            (D) An amino acid;  
9            (E) A dietary supplement for use by humans to  
10 supplement a person's diet by increasing the  
11 total dietary intake; or a concentrate  
12 metabolite, constituent, extract, or combination  
13 of any ingredient described in this definition;

14        (2) Is intended for ingestion in tablet, capsule, powder,  
15 softgel, gelcap, or liquid form, or if not intended  
16 for ingestion in such form, is not represented as  
17 conventional food and is not represented for use as a  
18 sole item of a meal or of a diet; and

19        (3) Is required to be labeled as a dietary supplement,  
20 identifiable by the "supplemental facts" box found on  
21 the label as required pursuant to title 21 Code of



1 Federal Regulations section 101.36, as amended or  
2 renumbered.

3 "Food" or "food ingredients" mean substances, whether in  
4 liquid, concentrated, solid, frozen, dried, or dehydrated form,  
5 that are sold for their ingestion or chewing by humans and are  
6 consumed for their taste or nutritional value. Food or food  
7 ingredients does not include alcoholic beverages, tobacco,  
8 prepared food, soft drinks, dietary supplements, or food or food  
9 ingredients sold from a vending machine, whether cold or hot;  
10 provided that food or food ingredients sold from a vending  
11 machine that is subsequently heated shall be subject to this  
12 chapter.

13 "Prepared food" means:

- 14 (1) Food sold in a heated state or heated in by the  
15 seller;  
16 (2) Food sold with eating utensils provided by the seller,  
17 including plates, knives, forks, spoons, chopsticks,  
18 glasses, cups, napkins, or straws. A plate does not  
19 include a container or packaging used to transport the  
20 food; or



- 1        (3) Two or more food ingredients mixed or combined by the  
2        seller for sale as a single item, except:
- 3        (A) Food that is only cut, repackaged, or pasteurized  
4        by the seller; or
- 5        (B) Raw eggs, meat, poultry, or foods containing  
6        these raw animal foods requiring cooking by the  
7        consumer as recommended by the federal Food and  
8        Drug Administration in Chapter 3, part 401.11 of  
9        the Food Code, published by the Food and Drug  
10       Administration, as amended or renumbered, to  
11       prevent foodborne illness.

12 Prepared food does not include the following food or food  
13 ingredients:

- 14       (1) Food sold in an unheated state by weight or volume as  
15       a single item; or
- 16       (2) Bakery items, such as bread, rolls, buns, biscuits,  
17       bagels, croissants, pastries, donuts, danish, cakes,  
18       tortes, pies, tarts, muffins, bars, cookies or  
19       tortillas.





1 "Soft drinks" means nonalcoholic beverages that contain  
2 natural or artificial sweeteners. Soft drinks do not include  
3 beverages that contain:

- 4 (1) Milk or milk products;
- 5 (2) Soy, rice or similar milk substitutes; or
- 6 (3) Greater than fifty percent vegetable or fruit juice by  
7 volume.

8 "Tobacco" means cigarettes, cigars, chewing or pipe  
9 tobacco, or any other item that contains tobacco."

10 SECTION 3. Chapter 237, Hawaii Revised Statutes, is  
11 amended by adding a new section to be appropriately designated  
12 and to read as follows:

13 "§237- Exemption for medical services. (a) There shall  
14 be exempted from, and excluded from the measure of, the taxes  
15 imposed by this chapter all of the gross proceeds arising from  
16 the sale of medical services.

17 (b) As used in this section, "medical services" means:  
18 Professional services provided by hospitals, medical clinics and  
19 facilities that are licensed by the appropriate state agencies  
20 and services are rendered under chapters 436E, 442, 447, 448,  
21 448B, 451A, 451J, 451K, 452, 453, 453D, 455, 457, 457A, 457G,



1 458, 459, 460, 461, 461J, 463E, 465, 465D, 466D, 466J, and  
2 468E."

3 SECTION 4. Chapter 237, Hawaii Revised Statutes, is  
4 amended by adding a new section to be appropriately designated  
5 and to read as follows:

6 "§237- Exemption for feminine hygiene products. (a)  
7 There shall be exempted from, and excluded from the measure of,  
8 the taxes imposed by this chapter all of the gross proceeds  
9 arising from the sale of feminine hygiene products.

10 (b) As used in this section, "feminine hygiene product"  
11 means: a sanitary napkin, sanitary towel, tampon, panty liner,  
12 douche, feminine hygiene syringes, menstrual cup, sanitary pad,  
13 or vaginal creams, foams, ointments, jellies, powders, and  
14 sprays used for hygiene purposes."

15 SECTION 5. In codifying the new sections added by sections  
16 2, 3, and 4 of this Act, the revisor of statutes shall substitute  
17 appropriate section numbers for the letters used in designating  
18 the new sections in this Act.

19 SECTION 6. New statutory material is underscored.





# H.B. NO. 1592

**Report Title:**

General Excise Tax; Food, Medical Services, and Feminine Hygiene  
Product Tax Exemption

**Description:**

Exempts certain foods, medical services, and feminine hygiene  
products from the general excise tax.

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