A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTIONS.

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

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

Food is a major expense for Hawaii families. Last year, the average Honolulu household spent more than $10,000 on food which is an increase from just six years ago. In 2014, the average spent on food annually for a two-person household was $9,467 in Honolulu county, $9,978 in Maui county, $9,901 in Kauai county, and $7,676 in Hawaii county. Hawaii's groceries are the second most expensive in the nation. Approximately, 85 to 90 per cent of Hawaii's food is imported. An average two-person household
would save over $400 each year if food were exempt from the
general excise tax, which is significantly more than the
existing food income tax credit for low-income families. Larger
households would have an even greater savings.

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

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

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

Because the general excise tax affects almost all areas of economic activity, it can make it difficult for average families to afford basic life expenses like food and medical care. The purpose of this Act is to help alleviate the general excise tax burden on local households by exempting essential several essential items: food, medical services, and feminine hygiene products.

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

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

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

(1) In the case of persons sixty years of age or over, or who receive supplemental security income benefits, or disability or blindness payments under Title I, II, X,
XIV, or XVI or the Social Security Act (42 U.S.C. 301 et seq., 401 et seq., 1201 et seq., 1351 et seq., 1381 et seq.) and their spouses, meals prepared by and served in senior citizen's centers, apartment buildings occupied primarily by such persons, public or private nonprofit establishments, eating or otherwise, that feed such persons, private establishments that contract with the appropriate agency of the State to offer meals for such persons at concessional prices, and meals prepared for and served to residents of federally subsidized housing for the elderly;

(2) In the case of persons sixty years of age or over and persons who are physically or mentally handicapped or otherwise disabled that they are unable to adequately prepare all of their meals, meals prepared for and delivered to them and their spouses at their home by a public or private nonprofit organization or by a private establishment that contracts with the appropriate state agency to perform such services at concessional prices;
(3) In the case of disabled or blind recipients of
benefits under Title I, II, X, XIV, or XVI or the
Social Security Act (42 U.S.C. 301 et seq., 401 et
seq., 1201 et seq., 1351 et seq., 1381 et seq.), who
are residents in a public or private nonprofit group
living arrangement that serves no more than sixteen
residents and is certified by the appropriate state
agency or agencies, meals prepared and served under
such arrangement;

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

(5) In the case of households that do not reside in
permanent dwellings and households that have no fixed
mailing addresses, meals prepared for and served by a
public or private nonprofit establishment approved by
an appropriate state or local agency that feeds such
individuals by private establishments that contract
with the appropriate agency of the State to offer
meals for such individuals at concessional prices.
(c) As used in this section:

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

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

(1) Contains one or more of the following dietary ingredients:

(A) A vitamin;

(B) A mineral;

(C) An herb or other botanical element;

(D) An amino acid;

(E) A dietary supplement for use by humans to supplement a person's diet by increasing the total dietary intake; or a concentrate metabolite, constituent, extract, or combination of any ingredient described in this definition;

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

(3) Is required to be labeled as a dietary supplement,
identifiable by the "supplemental facts" box found on
the label as required pursuant to title 21 Code of
Federal Regulations section 101.36, as amended or
renumbered.

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

"Prepared food" means:

(1) Food sold in a heated state or heated in by the
seller;

(2) Food sold with eating utensils provided by the seller,
including plates, knives, forks, spoons, chopsticks, glasses, cups, napkins, or straws. A plate does not include a container or packaging used to transport the food; or

(3) Two or more food ingredients mixed or combined by the seller for sale as a single item, except:

(A) Food that is only cut, repackaged, or pasteurized by the seller; or

(B) Raw eggs, meat, poultry, or foods containing these raw animal foods requiring cooking by the consumer as recommended by the federal Food and Drug Administration in Chapter 3, part 401.11 of the Food Code, published by the Food and Drug Administration, as amended or renumbered, to prevent foodborne illness.

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

(1) Food sold in an unheated state by weight or volume as a single item; or

(2) Bakery items, such as bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes,
tortes, pies, tarts, muffins, bars, cookies or tortillas.

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

1. Milk or milk products;
2. Soy, rice or similar milk substitutes; or
3. Greater than fifty percent vegetable or fruit juice by volume.

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

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

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

(b) As used in this section, "medical services" means: Professional services provided by hospitals, medical clinics and facilities that are licensed by the appropriate state agencies.

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

"§237- Exemption for feminine hygiene products.  (a) There shall be exempted from, and excluded from the measure of, the taxes imposed by this chapter all of the gross proceeds arising from the sale of feminine hygiene products.  
(b) As used in this section, "feminine hygiene product" means: a sanitary napkin, sanitary towel, tampon, panty liner, douche, feminine hygiene syringes, menstrual cup, sanitary pad, or vaginal creams, foams, ointments, jellies, powders, and sprays used for hygiene purposes."

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

SECTION 6. New statutory material is underscored.
SECTION 7. This act shall take effect upon its approval and shall apply to taxable years beginning after December 31, 2020.

INTRODUCED BY:  

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Report Title:
General Excise Tax; Food, Medical Services, and Feminine Hygiene Products Tax Exemption

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

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