



DEPARTMENT OF TAXATION
STATE OF HAWAII

September 16, 1986

TAX INFORMATION RELEASE No. 86-3

Re: Exemption From the General Excise Tax For Amounts Received On
Purchases Made With U.S. Department of Agriculture Food Coupons

Act 86, Session Laws of Hawaii 1986, (S.B. No. 2322-86, S.D. 2) amended Section 237-24, Hawaii Revised Statutes (HRS), by adding a new paragraph providing for an exemption from the general excise tax on purchases made with United States Department of Agriculture food coupons, which are also referred to as food stamps.

The effective date of the exemption provided under Act 86 is October 1, 1986, and is applicable for all qualified purchases made with food stamps at stores or eating establishments certified to accept food stamps. Purchases made in cash, by check, or through a medium other than food stamps do not qualify for the exemption provided under this Act.

The amendment to the General Excise Tax Law is in compliance with the provisions of Public Law 99-198, which would prohibit a state's participation in the Federal food stamp program if a sales tax is imposed upon purchases made with food stamps. The Secretary of the U.S. Department of Agriculture has determined that the Hawaii general excise tax is a "sales tax" within the purview of the Federal statutes.

Participating vendors or sellers are required under Section 237-41, HRS, of our General Excise Tax Law to keep and preserve for a period of three years, suitable records of gross proceeds of sales and gross income, and such other books, records, and invoices as may be required by the Department of Taxation. Such records shall also include adequate documentation relating to the exemptions claimed on tax returns pursuant to Act 86.

The Department of Taxation may be contacted for further information concerning this matter.

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