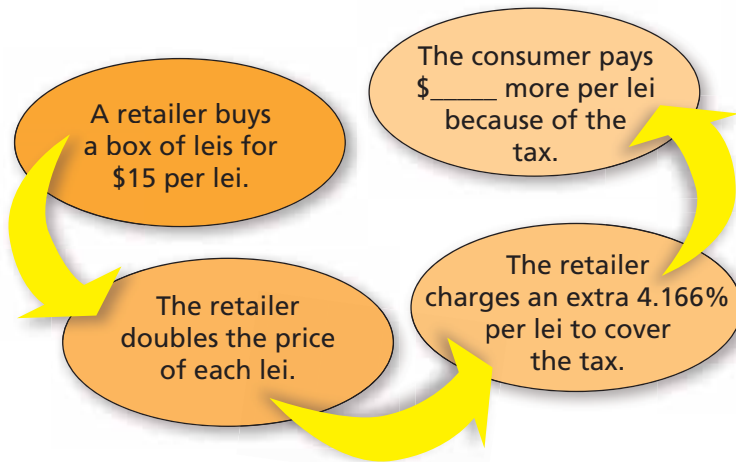


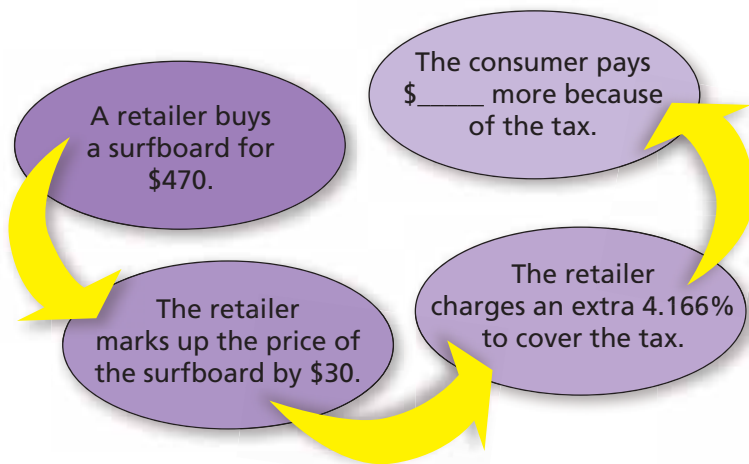
Hawaii's General Excise Tax In Exercises 17–21, use the information below. (See Example 5.)

The state of Hawaii does not have a sales tax. Instead, it has a general excise tax. Unlike a sales tax, the general excise tax applies to businesses, not customers. Hawaii taxes retailers at a rate of 4% on gross income from business transactions.

17. Complete the diagram. Explain your reasoning.



18. Complete the diagram. Explain your reasoning.



19. A retailer purchases \$150 worth of food. Draw a diagram showing a chain of events that could occur. Is the tax regressive, flat, or progressive? Explain.

20. A retailer purchases \$70 worth of medicine. Draw a diagram showing a chain of events that could occur. Is the tax regressive, flat, or progressive? Explain.

21. A business passes on the general excise tax to the consumer as a charge that is a percent of the retail price. The charge is also subject to the general excise tax. The business cannot charge more than 4.166% of the retail price because consumer protection laws prohibit businesses from passing on an amount that exceeds the general excise tax on a transaction. Explain why the percent is 4.166%, not 4%.

22. **Oahu Surcharge** The island of Oahu adds an extra 0.5% surcharge to the general excise tax to fund its mass transit system. Discuss ways in which the tax might help the people who are paying it. (See Example 6.)

