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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. Section 237-13, Hawaii Revised Statutes, is  
2 amended to read as follows:

3           "**§237-13 Imposition of tax.** There is hereby levied and  
4 shall be assessed and collected annually privilege taxes against  
5 persons on account of their business and other activities in the  
6 State measured by the application of rates against values of  
7 products, gross proceeds of sales, or gross income, whichever is  
8 specified, as follows:

9           (1) Tax on manufacturers.

10           (A) Upon every person engaging or continuing within  
11 the State in the business of manufacturing,  
12 including compounding, canning, preserving,  
13 packing, printing, publishing, milling,  
14 processing, refining, or preparing for sale,  
15 profit, or commercial use, either directly or  
16 through the activity of others, in whole or in  
17 part, any article or articles, substance or



1 substances, commodity or commodities, the amount  
2 of the tax to be equal to the value of the  
3 articles, substances, or commodities,  
4 manufactured, compounded, canned, preserved,  
5 packed, printed, milled, processed, refined, or  
6 prepared for sale, as shown by the gross proceeds  
7 derived from the sale thereof by the manufacturer  
8 or person compounding, preparing, or printing  
9 them, multiplied by one-half of one per cent.

10 (B) The measure of the tax on manufacturers is the  
11 value of the entire product for sale.

12 (2) Tax on business of selling tangible personal property;  
13 producing.

14 (A) Upon every person engaging or continuing in the  
15 business of selling any tangible personal  
16 property whatsoever, there is likewise hereby  
17 levied, and shall be assessed and collected, a  
18 tax equivalent to [~~four~~] 4.5 per cent of the  
19 gross proceeds of sales of the business; provided  
20 that, in the case of a wholesaler, the tax shall  
21 be equal to one-half of one per cent of the gross



1 proceeds of sales of the business; and provided  
2 further that insofar as the sale of tangible  
3 personal property is a wholesale sale under  
4 section 237-4(a)(8), the tax shall be one-half of  
5 one per cent of the gross proceeds. Upon every  
6 person engaging or continuing within this State  
7 in the business of a producer, the tax shall be  
8 equal to one-half of one per cent of the gross  
9 proceeds of sales of the business, or the value  
10 of the products, for sale.

11 (B) Gross proceeds of sales of tangible property in  
12 interstate and foreign commerce shall constitute  
13 a part of the measure of the tax imposed on  
14 persons in the business of selling tangible  
15 personal property, to the extent, under the  
16 conditions, and in accordance with the provisions  
17 of the Constitution of the United States and the  
18 Acts of the Congress of the United States which  
19 may be now in force or may be hereafter adopted,  
20 and whenever there occurs in the State an  
21 activity to which, under the Constitution and



1 Acts of Congress, there may be attributed gross  
2 proceeds of sales, the gross proceeds shall be so  
3 attributed.

4 (C) No manufacturer or producer, engaged in such  
5 business in the State and selling the  
6 manufacturer's or producer's products for  
7 delivery outside of the State (for example,  
8 consigned to a mainland purchaser via common  
9 carrier f.o.b. Honolulu), shall be required to  
10 pay the tax imposed in this chapter for the  
11 privilege of so selling the products, and the  
12 value or gross proceeds of sales of the products  
13 shall be included only in determining the measure  
14 of the tax imposed upon the manufacturer or  
15 producer.

16 (D) A manufacturer or producer, engaged in such  
17 business in the State, shall pay the tax imposed  
18 in this chapter for the privilege of selling its  
19 products in the State, and the value or gross  
20 proceeds of sales of the products, thus subjected  
21 to tax, may be deducted insofar as duplicated as



1 to the same products by the measure of the tax  
2 upon the manufacturer or producer for the  
3 privilege of manufacturing or producing in the  
4 State; provided that no producer of agricultural  
5 products who sells the products to a purchaser  
6 who will process the products outside the State  
7 shall be required to pay the tax imposed in this  
8 chapter for the privilege of producing or selling  
9 those products.

10 (E) A taxpayer selling to a federal cost-plus  
11 contractor may make the election provided for by  
12 paragraph (3) (C), and in that case the tax shall  
13 be computed pursuant to the election,  
14 notwithstanding this paragraph or paragraph (1)  
15 to the contrary.

16 (F) The department, by rule, may require that a  
17 seller take from the purchaser of tangible  
18 personal property a certificate, in a form  
19 prescribed by the department, certifying that the  
20 sale is a sale at wholesale; provided that:



- 1 (i) Any purchaser who furnishes a certificate
- 2 shall be obligated to pay to the seller,
- 3 upon demand, the amount of the additional
- 4 tax that is imposed upon the seller whenever
- 5 the sale in fact is not at wholesale; and
- 6 (ii) The absence of a certificate in itself shall
- 7 give rise to the presumption that the sale
- 8 is not at wholesale unless the sales of the
- 9 business are exclusively at wholesale.
- 10 (3) Tax upon contractors.
- 11 (A) Upon every person engaging or continuing within
- 12 the State in the business of contracting, the tax
- 13 shall be equal to [~~four~~] 4.5 per cent of the
- 14 gross income of the business.
- 15 (B) In computing the tax levied under this paragraph,
- 16 there shall be deducted from the gross income of
- 17 the taxpayer so much thereof as has been included
- 18 in the measure of the tax levied under
- 19 subparagraph (A), on another taxpayer who is a
- 20 contractor, as defined in section 237-6; provided
- 21 that any person claiming a deduction under this



1 paragraph shall be required to show in the  
2 person's return the name and general excise  
3 number of the person paying the tax on the amount  
4 deducted by the person.

5 (C) In computing the tax levied under this paragraph  
6 against any federal cost-plus contractor, there  
7 shall be excluded from the gross income of the  
8 contractor so much thereof as fulfills the  
9 following requirements:

10 (i) The gross income exempted shall constitute  
11 reimbursement of costs incurred for  
12 materials, plant, or equipment purchased  
13 from a taxpayer licensed under this chapter,  
14 not exceeding the gross proceeds of sale of  
15 the taxpayer on account of the transaction;  
16 and

17 (ii) The taxpayer making the sale shall have  
18 certified to the department that the  
19 taxpayer is taxable with respect to the  
20 gross proceeds of the sale, and that the  
21 taxpayer elects to have the tax on gross



1 income computed the same as upon a sale to  
2 the state government.

3 (D) A person who, as a business or as a part of a  
4 business in which the person is engaged, erects,  
5 constructs, or improves any building or  
6 structure, of any kind or description, or makes,  
7 constructs, or improves any road, street,  
8 sidewalk, sewer, or water system, or other  
9 improvements on land held by the person (whether  
10 held as a leasehold, fee simple, or otherwise),  
11 upon the sale or other disposition of the land or  
12 improvements, even if the work was not done  
13 pursuant to a contract, shall be liable to the  
14 same tax as if engaged in the business of  
15 contracting, unless the person shows that at the  
16 time the person was engaged in making the  
17 improvements the person intended, and for the  
18 period of at least one year after completion of  
19 the building, structure, or other improvements  
20 the person continued to intend to hold and not  
21 sell or otherwise dispose of the land or





1 improvements. The tax in respect of the  
2 improvements shall be measured by the amount of  
3 the proceeds of the sale or other disposition  
4 that is attributable to the erection,  
5 construction, or improvement of such building or  
6 structure, or the making, constructing, or  
7 improving of the road, street, sidewalk, sewer,  
8 or water system, or other improvements. The  
9 measure of tax in respect of the improvements  
10 shall not exceed the amount which would have been  
11 taxable had the work been performed by another,  
12 subject as in other cases to the deductions  
13 allowed by subparagraph (B). Upon the election  
14 of the taxpayer, this paragraph may be applied  
15 notwithstanding that the improvements were not  
16 made by the taxpayer, or were not made as a  
17 business or as a part of a business, or were made  
18 with the intention of holding the same. However,  
19 this paragraph shall not apply in respect of any  
20 proceeds that constitute or are in the nature of  
21 rent, which shall be taxable under paragraph (9);



1 provided that insofar as the business of renting  
2 or leasing real property under a lease is taxed  
3 under section 237-16.5, the tax shall be levied  
4 by section 237-16.5.

5 (4) Tax upon theaters, amusements, radio broadcasting  
6 stations, etc.

7 (A) Upon every person engaging or continuing within  
8 the State in the business of operating a theater,  
9 opera house, moving picture show, vaudeville,  
10 amusement park, dance hall, skating rink, radio  
11 broadcasting station, or any other place at which  
12 amusements are offered to the public, the tax  
13 shall be equal to [~~four~~] 4.5 per cent of the  
14 gross income of the business, and in the case of  
15 a sale of an amusement at wholesale under section  
16 237-4(a)(13), the tax shall be one-half of one  
17 per cent of the gross income.

18 (B) The department may require that the person  
19 rendering an amusement at wholesale take from the  
20 licensed seller a certificate, in a form



1           prescribed by the department, certifying that the  
2           sale is a sale at wholesale; provided that:

3           (i) Any licensed seller who furnishes a  
4           certificate shall be obligated to pay to the  
5           person rendering the amusement, upon demand,  
6           the amount of additional tax that is imposed  
7           upon the seller whenever the sale is not at  
8           wholesale; and

9           (ii) The absence of a certificate in itself shall  
10          give rise to the presumption that the sale  
11          is not at wholesale unless the person  
12          rendering the sale is exclusively rendering  
13          the amusement at wholesale.

14          (5) Tax upon sales representatives, etc. Upon every  
15          person classified as a representative or purchasing  
16          agent under section 237-1, engaging or continuing  
17          within the State in the business of performing  
18          services for another, other than as an employee, there  
19          is likewise hereby levied and shall be assessed and  
20          collected a tax equal to [~~four~~] 4.5 per cent of the



1 commissions and other compensation attributable to the  
2 services so rendered by the person.

3 (6) Tax on service business.

4 (A) Upon every person engaging or continuing within  
5 the State in any service business or calling  
6 including professional services not otherwise  
7 specifically taxed under this chapter, there is  
8 likewise hereby levied and shall be assessed and  
9 collected a tax equal to [~~four~~] 4.5 per cent of  
10 the gross income of the business, and in the case  
11 of a wholesaler under section 237-4(a)(10), the  
12 tax shall be equal to one-half of one per cent of  
13 the gross income of the business.

14 (B) The department may require that the person  
15 rendering a service at wholesale take from the  
16 licensed seller a certificate, in a form  
17 prescribed by the department, certifying that the  
18 sale is a sale at wholesale; provided that:

19 (i) Any licensed seller who furnishes a  
20 certificate shall be obligated to pay to the  
21 person rendering the service, upon demand,



1           the amount of additional tax that is imposed  
2           upon the seller whenever the sale is not at  
3           wholesale; and

4           (ii) The absence of a certificate in itself shall  
5           give rise to the presumption that the sale  
6           is not at wholesale unless the person  
7           rendering the sale is exclusively rendering  
8           services at wholesale.

9           (C) Where any person is engaged in the business of  
10          selling interstate or foreign common carrier  
11          telecommunication services within and without the  
12          State, other than as a home service provider, the  
13          tax shall be imposed on that portion of gross  
14          income received by a person from service which is  
15          originated or terminated in this State and is  
16          charged to a telephone number, customer, or  
17          account in this State notwithstanding any other  
18          state law (except for the exemption under section  
19          237-23(a)(1)) to the contrary. If, under the  
20          Constitution and laws of the United States, the  
21          entire gross income as determined under this



1 paragraph of a business selling interstate or  
2 foreign common carrier telecommunication services  
3 cannot be included in the measure of the tax, the  
4 gross income shall be apportioned as provided in  
5 section 237-21; provided that the apportionment  
6 factor and formula shall be the same for all  
7 persons providing those services in the State.

8 (D) Where any person is engaged in the business of a  
9 home service provider, the tax shall be imposed  
10 on the gross income received or derived from  
11 providing interstate or foreign mobile  
12 telecommunications services to a customer with a  
13 place of primary use in this State when the  
14 services originate in one state and terminate in  
15 another state, territory, or foreign country;  
16 provided that all charges for mobile  
17 telecommunications services which are billed by  
18 or for the home service provider are deemed to be  
19 provided by the home service provider at the  
20 customer's place of primary use, regardless of  
21 where the mobile telecommunications originate,



1 terminate, or pass through; provided further that  
2 the income from charges specifically derived from  
3 interstate or foreign mobile telecommunications  
4 services, as determined by books and records that  
5 are kept in the regular course of business by the  
6 home service provider in accordance with section  
7 239-24, shall be apportioned under any  
8 apportionment factor or formula adopted under  
9 subparagraph (C). Gross income shall not  
10 include:

11 (i) Gross receipts from mobile  
12 telecommunications services provided to a  
13 customer with a place of primary use outside  
14 this State;

15 (ii) Gross receipts from mobile  
16 telecommunications services that are subject  
17 to the tax imposed by chapter 239;

18 (iii) Gross receipts from mobile  
19 telecommunications services taxed under  
20 section 237-13.8; and



1 (iv) Gross receipts of a home service provider  
2 acting as a serving carrier providing mobile  
3 telecommunications services to another home  
4 service provider's customer.

5 For the purposes of this paragraph, "charges for  
6 mobile telecommunications services", "customer",  
7 "home service provider", "mobile  
8 telecommunications services", "place of primary  
9 use", and "serving carrier" have the same meaning  
10 as in section 239-22.

11 (7) Tax on insurance producers. Upon every person engaged  
12 as a licensed producer pursuant to chapter 431, there  
13 is hereby levied and shall be assessed and collected a  
14 tax equal to 0.15 per cent of the commissions due to  
15 that activity.

16 (8) Tax on receipts of sugar benefit payments. Upon the  
17 amounts received from the United States government by  
18 any producer of sugar (or the producer's legal  
19 representative or heirs), as defined under and by  
20 virtue of the Sugar Act of 1948, as amended, or other  
21 Acts of the Congress of the United States relating





1 thereto, there is hereby levied a tax of one-half of  
2 one per cent of the gross amount received; provided  
3 that the tax levied hereunder on any amount so  
4 received and actually disbursed to another by a  
5 producer in the form of a benefit payment shall be  
6 paid by the person or persons to whom the amount is  
7 actually disbursed, and the producer actually making a  
8 benefit payment to another shall be entitled to claim  
9 on the producer's return a deduction from the gross  
10 amount taxable hereunder in the sum of the amount so  
11 disbursed. The amounts taxed under this paragraph  
12 shall not be taxable under any other paragraph,  
13 subsection, or section of this chapter.

- 14 (9) Tax on other business. Upon every person engaging or  
15 continuing within the State in any business, trade,  
16 activity, occupation, or calling not included in the  
17 preceding paragraphs or any other provisions of this  
18 chapter, there is likewise hereby levied and shall be  
19 assessed and collected, a tax equal to [~~four~~] 4.5 per  
20 cent of the gross income thereof. In addition, the  
21 rate prescribed by this paragraph shall apply to a



1 business taxable under one or more of the preceding  
2 paragraphs or other provisions of this chapter, as to  
3 any gross income thereof not taxed thereunder as gross  
4 income or gross proceeds of sales or by taxing an  
5 equivalent value of products, unless specifically  
6 exempted."

7 SECTION 2. Section 237-15, Hawaii Revised Statutes, is  
8 amended to read as follows:

9 **"§237-15 Technicians.** When technicians supply dentists or  
10 physicians with dentures, orthodontic devices, braces, and  
11 similar items which have been prepared by the technician in  
12 accordance with specifications furnished by the dentist or  
13 physician, and such items are to be used by the dentist or  
14 physician in the dentist's or physician's professional practice  
15 for a particular patient who is to pay the dentist or physician  
16 for the same as a part of the dentist's or physician's  
17 professional services, the technician shall be taxed as though  
18 the technician were a manufacturer selling a product to a  
19 licensed retailer, rather than at the rate of [~~four~~] 4.5 per  
20 cent which is generally applied to professions and services."



1 SECTION 3. Section 237-16.5, Hawaii Revised Statutes, is  
2 amended as follows:

3 1. By amending subsection (a) to read:

4 "(a) This section relates to the leasing of real property  
5 by a lessor to a lessee. There is hereby levied, and shall be  
6 assessed and collected annually, a privilege tax against persons  
7 engaging or continuing within the State in the business of  
8 leasing real property to another, equal to [~~four~~] 4.5 per cent  
9 of the gross proceeds or gross income received or derived from  
10 the leasing; provided that where real property is subleased by a  
11 lessee to a sublessee, the lessee, as provided in this section,  
12 shall be allowed a deduction from the amount of gross proceeds  
13 or gross income received from its sublease of the real property.  
14 The deduction shall be in the amount allowed under this section.

15 All deductions under this section and the name and general  
16 excise tax number of the lessee's lessor shall be reported on  
17 the general excise tax return. Any deduction allowed under this  
18 section shall only be allowed with respect to leases and  
19 subleases in writing and relating to the same real property."

20 2. By amending subsection (f) to read:



1           "(f) This section shall not cause the tax upon a lessor,  
2 with respect to any item of the lessor's gross proceeds or gross  
3 income, to exceed [~~four~~] 4.5 per cent."

4           SECTION 4. Section 237-18, Hawaii Revised Statutes, is  
5 amended by amending subsection (f) to read as follows:

6           "(f) Where tourism related services are furnished through  
7 arrangements made by a travel agency or tour packager and the  
8 gross income is divided between the provider of the services and  
9 the travel agency or tour packager, the tax imposed by this  
10 chapter shall apply to each such person with respect to such  
11 person's respective portion of the proceeds, and no more.

12           As used in this subsection "tourism related services" means  
13 catamaran cruises, canoe rides, dinner cruises, lei greetings,  
14 transportation included in a tour package, sightseeing tours not  
15 subject to chapter 239, admissions to luaus, dinner shows,  
16 extravaganzas, cultural and educational facilities, and other  
17 services rendered directly to the customer or tourist, but only  
18 if the providers of the services other than air transportation  
19 are subject to a [~~four~~] 4.5 per cent tax under this chapter or  
20 chapter 239."



1 SECTION 5. Section 237-31, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 **"§237-31 Remittances.** (a) All remittances of taxes  
4 imposed by this chapter shall be made by money, bank draft,  
5 check, cashier's check, money order, or certificate of deposit  
6 to the office of the department of taxation to which the return  
7 was transmitted.

8 (b) The department shall issue its receipts therefor to  
9 the taxpayer and shall pay the moneys into the state treasury as  
10 a state realization, to be kept and accounted for as provided by  
11 law; provided that:

12 (1) A sum, not to exceed \$5,000,000, from all general  
13 excise tax revenues realized by the State shall be  
14 deposited in the state treasury in each fiscal year to  
15 the credit of the compound interest bond reserve fund;

16 (2) A sum from all general excise tax revenues realized by  
17 the State that is equal to one-half of the total  
18 amount of funds appropriated or transferred out of the  
19 hurricane reserve trust fund under sections 4 and 5 of  
20 Act 62, Session Laws of Hawaii 2011, shall be  
21 deposited into the hurricane reserve trust fund in



1 fiscal year 2013-2014 and in fiscal year 2014-2015;  
 2 provided that the deposit required in each fiscal year  
 3 shall be made by October 1 of that fiscal year; and  
 4 ~~[+] (3) [+]~~ Commencing with fiscal year 2018-2019, a sum from all  
 5 general excise tax revenues realized by the State that  
 6 represents the difference between the state public  
 7 employer's annual required contribution for the  
 8 separate trust fund established under section 87A-42  
 9 and the amount of the state public employer's  
 10 contributions into that trust fund shall be deposited  
 11 to the credit of the State's annual required  
 12 contribution into that trust fund in each fiscal year,  
 13 as provided in section 87A-42.

14 (c) Notwithstanding subsection (b), the additional  
 15 revenues generated and collected from the increase in general  
 16 excise tax rates imposed by section 1 of Act \_\_\_\_\_, Session Laws  
 17 of Hawaii 2019, shall be distributed as follows:

18 (1) \_\_\_\_\_ per cent or \$ \_\_\_\_\_, whichever is greater,  
 19 of the revenues shall be deposited into a special  
 20 account in the general fund for appropriation to and



1           expenditure for operations of the department of  
2           education under chapter 302A; and  
3           (2)                 per cent or \$          , whichever is greater,  
4           of the revenues shall be deposited into a special  
5           account in the general fund for appropriation to and  
6           expenditure for operations of the University of Hawaii  
7           under chapter 304A."

8           SECTION 6. Section 238-2, Hawaii Revised Statutes, is  
9 amended to read as follows:

10           **"§238-2 Imposition of tax on tangible personal property;**  
11 **exemptions.** There is hereby levied an excise tax on the use in  
12 this State of tangible personal property which is imported by a  
13 taxpayer in this State whether owned, purchased from an  
14 unlicensed seller, or however acquired for use in this State.  
15 The tax imposed by this chapter shall accrue when the property  
16 is acquired by the importer or purchaser and becomes subject to  
17 the taxing jurisdiction of the State. The rates of the tax  
18 hereby imposed and the exemptions thereof are as follows:

19           (1) If the importer or purchaser is licensed under chapter  
20           237 and is:



1 (A) A wholesaler or jobber importing or purchasing  
2 for purposes of sale or resale; or  
3 (B) A manufacturer importing or purchasing material  
4 or commodities which are to be incorporated by  
5 the manufacturer into a finished or saleable  
6 product (including the container or package in  
7 which the product is contained) wherein it will  
8 remain in such form as to be perceptible to the  
9 senses, and which finished or saleable product is  
10 to be sold in such manner as to result in a  
11 further tax on the activity of the manufacturer  
12 as the manufacturer or as a wholesaler, and not  
13 as a retailer,  
14 there shall be no tax; provided that if the  
15 wholesaler, jobber, or manufacturer is also engaged in  
16 business as a retailer (so classed under chapter 237),  
17 paragraph (2) shall apply to the wholesaler, jobber,  
18 or manufacturer, but the director of taxation shall  
19 refund to the wholesaler, jobber, or manufacturer, in  
20 the manner provided under section 231-23(c) such  
21 amount of tax as the wholesaler, jobber, or





1 manufacturer shall, to the satisfaction of the  
2 director, establish to have been paid by the  
3 wholesaler, jobber, or manufacturer to the director  
4 with respect to property which has been used by the  
5 wholesaler, jobber, or manufacturer for the purposes  
6 stated in this paragraph;

7 (2) If the importer or purchaser is licensed under chapter  
8 237 and is:

9 (A) A retailer or other person importing or  
10 purchasing for purposes of sale or resale, not  
11 exempted by paragraph (1);

12 (B) A manufacturer importing or purchasing material  
13 or commodities which are to be incorporated by  
14 the manufacturer into a finished or saleable  
15 product (including the container or package in  
16 which the product is contained) wherein it will  
17 remain in such form as to be perceptible to the  
18 senses, and which finished or saleable product is  
19 to be sold at retail in this State, in such  
20 manner as to result in a further tax on the



- 1 activity of the manufacturer in selling such
- 2 products at retail;
- 3 (C) A contractor importing or purchasing material or
- 4 commodities which are to be incorporated by the
- 5 contractor into the finished work or project
- 6 required by the contract and which will remain in
- 7 such finished work or project in such form as to
- 8 be perceptible to the senses;
- 9 (D) A person engaged in a service business or calling
- 10 as defined in section 237-7, or a person
- 11 furnishing transient accommodations subject to
- 12 the tax imposed by section 237D-2, in which the
- 13 import or purchase of tangible personal property
- 14 would have qualified as a sale at wholesale as
- 15 defined in section 237-4(a)(8) had the seller of
- 16 the property been subject to the tax in chapter
- 17 237; or
- 18 (E) A publisher of magazines or similar printed
- 19 materials containing advertisements, when the
- 20 publisher is under contract with the advertisers
- 21 to distribute a minimum number of magazines or



1 similar printed materials to the public or  
2 defined segment of the public, whether or not  
3 there is a charge to the persons who actually  
4 receive the magazines or similar printed  
5 materials,

6 the tax shall be one-half of one per cent of the  
7 purchase price of the property, if the purchase and  
8 sale are consummated in Hawaii; or, if there is no  
9 purchase price applicable thereto, or if the purchase  
10 or sale is consummated outside of Hawaii, then one-  
11 half of one per cent of the value of such property;  
12 and

13 (3) In all other cases, [~~four~~] 4.5 per cent of the value  
14 of the property.

15 For purposes of this section, tangible personal property is  
16 property that is imported by the taxpayer for use in this State,  
17 notwithstanding the fact that title to the property, or the risk  
18 of loss to the property, passes to the purchaser of the property  
19 at a location outside this State. Where plaintiff: (1) caused  
20 consumer electronic goods from various mainland vendors to be  
21 shipped to Hawaii in order to restock plaintiff's retail stores



1 in this State, constituting importation of goods into the State  
2 for purposes of resale; and (2) used the goods in Hawaii by  
3 "keeping the property" in this State "for sale", plaintiff was  
4 subject to assessment of the use tax under this section."

5 SECTION 7. Section 238-2.2, Hawaii Revised Statutes, is  
6 amended to read as follows:

7 "~~[+]~~ §238-2.2 ~~[+]~~ **Imposition of tax on intangible property.**  
8 There is hereby levied an excise tax on the value of intangible  
9 property acquired from an unlicensed seller and imported or used  
10 in the State. The tax imposed by this chapter shall accrue when  
11 the intangible property is acquired by the importer or purchaser  
12 and becomes subject to the taxing jurisdiction of the State.  
13 The rate of the tax hereby imposed shall be ~~[four]~~ 4.5 per cent  
14 of the value of the intangible property."

15 SECTION 8. Section 238-2.3, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 "**§238-2.3 Imposition of tax on imported services or**  
18 **contracting; exemptions.** There is hereby levied an excise tax  
19 on the value of services or contracting as defined in section  
20 237-6 that are performed by an unlicensed seller at a point  
21 outside the State and imported or purchased for use in this



1 State. The tax imposed by this chapter shall accrue when the  
2 service or contracting as defined in section 237-6 is received  
3 by the importer or purchaser and becomes subject to the taxing  
4 jurisdiction of the State. The rates of the tax hereby imposed  
5 and the exemptions from the tax are as follows:

6 (1) If the importer or purchaser is licensed under chapter  
7 237 and is:

8 (A) Engaged in a service business or calling in which  
9 the imported or purchased services or contracting  
10 become identifiable elements, excluding overhead,  
11 of the services rendered by the importer or  
12 purchaser, and the gross income of the importer  
13 or purchaser is subject to the tax imposed under  
14 chapter 237 on services at the rate of one-half  
15 of one per cent;

16 (B) A manufacturer importing or purchasing services  
17 or contracting that become identifiable elements,  
18 excluding overhead, of a finished or saleable  
19 product (including the container or package in  
20 which the product is contained) and the finished  
21 or saleable product is to be sold in a manner



1 that results in a further tax on the manufacturer  
2 as a wholesaler, and not a retailer; or

3 (C) A contractor importing or purchasing contracting  
4 that become identifiable elements, excluding  
5 overhead, of the finished work or project  
6 required under the contract; provided that:

7 (i) The gross proceeds derived by the contractor  
8 are subject to the tax under section  
9 237-13(3) as a contractor; and

10 (ii) The contractor could have deducted amounts  
11 paid to the subcontractor under section  
12 237-13(3)(B) if the subcontractor was  
13 subject to general excise tax under chapter  
14 237;

15 there shall be no tax imposed on the value of the  
16 imported or purchased services or contracting;  
17 provided that if the manufacturer is also engaged in  
18 business as a retailer as classified under chapter  
19 237, paragraph (2) shall apply to the manufacturer,  
20 but the director of taxation shall refund to the  
21 manufacturer, in the manner provided under section



1 231-23(c), that amount of tax that the manufacturer,  
2 to the satisfaction of the director, shall establish  
3 to have been paid by the manufacturer to the director  
4 with respect to services that have been used by the  
5 manufacturer for the purposes stated in this  
6 paragraph.

7 (2) If the importer or purchaser is a person licensed  
8 under chapter 237 and is:

9 (A) Engaged in a service business or calling in which  
10 the imported or purchased services or contracting  
11 become identifiable elements, excluding overhead,  
12 of the services rendered by the importer or  
13 purchaser, and the gross income from those  
14 services when sold by the importer or purchaser  
15 is subject to the tax imposed under chapter 237  
16 at the highest rate;

17 (B) A manufacturer importing or purchasing services  
18 or contracting that become identifiable elements,  
19 excluding overhead, of the finished or saleable  
20 manufactured product (including the container or  
21 package in which the product is contained) and



1           the finished or saleable product is to be sold in  
2           a manner that results in a further tax under  
3           chapter 237 on the activity of the manufacturer  
4           as a retailer; or

5           (C) A contractor importing or purchasing services  
6           that become identifiable elements, excluding  
7           overhead, of the finished work or project  
8           required, under the contract, and where the gross  
9           proceeds derived by the contractor are subject to  
10          the tax under section 237-13(3) as a contractor,  
11          the tax shall be one-half of one per cent of the value  
12          of the imported or purchased services or contracting;  
13          and

14          (3) In all other cases, the importer or purchaser is  
15          subject to the tax at the rate of [~~four~~] 4.5 per cent  
16          on the value of the imported or purchased services or  
17          contracting."

18          SECTION 9. Statutory material to be repealed is bracketed  
19          and stricken. New statutory material is underscored.

20          SECTION 10. This Act shall take effect on July 1, 2050.





**Report Title:**

General Excise Tax; Use Tax; Increase; Education; University of Hawaii

**Description:**

Increases the general excise tax and use tax by 0.5% to provide a dedicated funding source for the department of education and the University of Hawaii. Takes effect on 7/1/2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

