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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

**PART I**

1  
2 SECTION 1. Section 46-16.8, Hawaii Revised Statutes, is  
3 amended by amending subsections (b) and (c) to read as follows:

4 "(b) Each county that has established a surcharge on state  
5 tax prior to ~~[+]July 1, 2015, [+]~~ under authority of subsection  
6 (a) may extend the surcharge ~~[from January 1, 2023, until~~  
7 ~~December 31, 2027,]~~ in perpetuity at the same rates. A county  
8 electing to extend this surcharge shall do so by ordinance;  
9 provided that ~~[+~~

10 ~~(1) No]~~ no ordinance shall be adopted until the county has  
11 conducted a public hearing on the proposed ordinance ~~[+~~  
12 and

13 ~~(2) The ordinance shall be adopted prior to July 1, 2016,~~  
14 ~~but no earlier than July 1, 2015].~~

15 A county electing to exercise the authority granted under  
16 this subsection shall notify the director of taxation within ten  
17 days after the county has adopted an ordinance extending the  
18 surcharge on state tax. ~~[Beginning on January 1, 2023, the]~~ The



1 director of taxation shall levy, assess, collect, and otherwise  
2 administer the extended surcharge on state tax.

3 (c) Each county that has not established a surcharge on  
4 state tax prior to [~~July 1, 2015,~~] July 1, 2017, may establish  
5 the surcharge at the rates enumerated in sections 237-8.6 and  
6 238-2.6. A county electing to establish this surcharge shall do  
7 so by ordinance; provided that:

8 (1) No ordinance shall be adopted until the county has  
9 conducted a public hearing on the proposed ordinance;

10 [~~(2) The ordinance shall be adopted prior to July 1, 2016,~~  
11 ~~but no earlier than July 1, 2015;~~] and

12 [~~(3)~~] (2) No county surcharge on state tax that may be  
13 authorized under this subsection shall be levied prior  
14 to January 1, 2018 [~~, or after December 31, 2027.~~].

15 A county electing to exercise the authority granted under  
16 this subsection shall notify the director of taxation within ten  
17 days after the county has adopted a surcharge on state tax  
18 ordinance. Beginning on January 1, 2018, the director of  
19 taxation shall levy, assess, collect, and otherwise administer  
20 the county surcharge on state tax."



1 SECTION 2. Section 248-2.6, Hawaii Revised Statutes, is  
2 amended as follows:

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

4 "(a) If adopted by county ordinance, all county surcharges  
5 on state tax collected by the director of taxation shall be paid  
6 into the state treasury [~~quarterly,~~ monthly, within ten working  
7 days after collection, and shall be placed by the director of  
8 finance in special accounts. Out of the revenues generated by  
9 county surcharges on state tax paid into each respective state  
10 treasury special account, the director of finance shall deduct  
11 [~~ten per cent of~~] \$ \_\_\_\_\_ from the gross proceeds of a  
12 respective county's surcharge on state tax to reimburse the  
13 [~~State~~] department of taxation for the costs of assessment,  
14 collection, and disposition of the county surcharge on state tax  
15 [~~to reimburse the State for the costs of assessment, collection,~~  
16 ~~and disposition of the county surcharge on state tax incurred by~~  
17 ~~the State. Amounts retained shall be general fund realizations~~  
18 ~~of the State]."~~

19 2. By amending subsection (d) to read:

20 "(d) After the deduction and withholding of the costs  
21 under subsections (a) and (b), the director of finance shall pay



1 the remaining balance on [~~a~~ quarterly] a monthly basis to the  
2 director of finance of each county that has adopted a county  
3 surcharge on state tax under section 46-16.8. The [~~quarterly~~]  
4 monthly payments shall be made after the county surcharges on  
5 state tax have been paid into the state treasury special  
6 accounts or after the disposition of any tax appeal, as the case  
7 may be. All county surcharges on state tax collected shall be  
8 distributed by the director of finance to the county in which  
9 the county surcharge on state tax is generated and shall be a  
10 general fund realization of the county, to be used for the  
11 purposes specified in section 46-16.8 by each of the counties."

12 SECTION 3. Act 247, Session Laws of Hawaii 2005, as  
13 amended by section 7 of Act 240, Session Laws of Hawaii 2015, is  
14 amended by amending section 9 to read as follows:

15 "SECTION 9. This Act shall take effect upon its approval;  
16 provided that:

17 (1) If none of the counties of the State adopt an  
18 ordinance to levy a county surcharge on state tax by  
19 December 31, 2005, this Act shall be repealed and  
20 section 437D-8.4, Hawaii Revised Statutes, shall be



reenacted in the form in which it read on the day  
prior to the effective date of this Act;

(2) If any county does not adopt an ordinance to levy a  
county surcharge on state tax by December 31, 2005, it  
shall be prohibited from adopting such an ordinance  
pursuant to this Act, unless otherwise authorized by  
the legislature through a separate legislative act;  
and

(3) If an ordinance to levy a county surcharge on state  
tax is adopted by December 31, 2005:

(A) [~~The ordinance shall be repealed on December 31,  
2022; provided that the~~] The repeal of the  
ordinance shall not affect the validity or effect  
of an ordinance to extend a surcharge on state  
tax adopted pursuant to Act 134, Session Laws of  
Hawaii 2015;

~~[(B) This Act shall be repealed on December 31, 2027;]~~  
and

~~[(C)]~~ (B) Section 437D-8.4, Hawaii Revised Statutes,  
shall be reenacted in the form in which it read  
on the date prior to the effective date of this



1 Act; provided that the amendments made to section  
 2 437D-8.4, Hawaii Revised Statutes, by Act 226,  
 3 Session Laws of Hawaii 2008, as amended by Act  
 4 11, Session Laws of Hawaii 2009, and Act 110,  
 5 Session Laws of Hawaii 2014, shall not be  
 6 repealed."

7 **PART II**

8 SECTION 4. Chapter 235, Hawaii Revised Statutes, is  
 9 amended by adding a new section to be appropriately designated  
 10 and to read as follows:

11 "§235- Low-income tax credit. (a) There shall be  
 12 allowed to each taxpayer subject to the taxes imposed by this  
 13 chapter, a tax credit to reduce the state income tax liability  
 14 for low-income taxpayers. After completing the income tax  
 15 calculations required by this chapter:

16 (1) A taxpayer with a federal adjusted gross income below  
 17 the federal poverty guidelines and with a state income  
 18 tax liability shall receive a credit that reduces the  
 19 taxpayer's state income tax liability by per  
 20 cent;



1       (2) A taxpayer with a federal adjusted gross income of at  
2       least one hundred but not more than one hundred  
3       twenty-five per cent of the federal poverty guidelines  
4       and with a state income tax liability shall receive a  
5       credit that reduces the taxpayer's state income tax  
6       liability by           per cent; and

7       (3) A taxpayer with a federal adjusted gross income above  
8       one hundred twenty-five per cent of the federal  
9       poverty guidelines shall be ineligible for the credit.

10       (b) All claims for a tax credit under this section,  
11 including amended claims, shall be filed on or before the end of  
12 the twelfth month following the close of the taxable year for  
13 which the tax credit may be claimed. Failure to comply with the  
14 foregoing provision shall constitute a waiver of the right to  
15 claim the tax credit.

16       (c) The director of taxation shall prepare any forms that  
17 may be necessary to claim a credit under this section. The  
18 director may also require the taxpayer to furnish information to  
19 ascertain the validity of the claim for the tax credit made  
20 under this section and may adopt rules necessary to effectuate  
21 the purposes of this section pursuant to chapter 91.



1        (d) For purposes of this section, "federal poverty  
2 guidelines" means the guidelines set forth by the United States  
3 Department of Health and Human Services each year for Hawaii."

4        SECTION 5. Section 46-16.8, Hawaii Revised Statutes, is  
5 amended to read as follows:

6        "**§46-16.8 County surcharge on state tax.** (a) Each county  
7 [may], by July 1, 2018, may establish a surcharge on state tax  
8 at the rates enumerated in sections 237-8.6 and 238-2.6. A  
9 county ~~[electing to]~~ shall establish this surcharge ~~[shall de~~  
10 ~~se]~~ by ordinance; provided that [+]

11        ~~(1) No]~~ no ordinance shall be adopted until the county has  
12 conducted a public hearing on the proposed ordinance [+]

13        ~~(2) The ordinance shall be adopted prior to December 31,~~  
14        ~~2005; and~~

15        ~~(3) No county surcharge on state tax that may be~~  
16        ~~authorized under this subsection shall be levied prior~~  
17        ~~to January 1, 2007, or after December 31, 2022, unless~~  
18        ~~extended pursuant to subsection (b)].~~

19 Notice of the public hearing required under ~~[paragraph (1)]~~ this  
20 subsection shall be published in a newspaper of general





1 circulation within the county at least twice within a period of  
2 thirty days immediately preceding the date of the hearing.

3       **(b)** A county [~~electing to exercise the authority granted~~  
4 ~~under this subsection~~] shall notify the director of taxation  
5 within ten days after the county has adopted a surcharge on  
6 state tax ordinance [~~and, beginning no earlier than January 1,~~  
7 ~~2007, the~~]. The director of taxation shall levy, assess,  
8 collect, and otherwise administer the county surcharge on state  
9 tax[-]; provided that for any ordinance that is adopted after  
10 July 1, 2017, pursuant to this section, the director of taxation  
11 shall not levy, assess, collect, or otherwise administer the  
12 county surcharge on state tax earlier than January 1 of the year  
13 succeeding the adoption of the authorizing ordinance.

14       ~~[(b) Each county that has established a surcharge on state~~  
15 ~~tax prior to [July 1, 2015,] under authority of subsection (a)~~  
16 ~~may extend the surcharge from January 1, 2023, until December~~  
17 ~~31, 2027, at the same rates. A county electing to extend this~~  
18 ~~surcharge shall do so by ordinance; provided that:~~

19       ~~(1) No ordinance shall be adopted until the county has~~  
20       ~~conducted a public hearing on the proposed ordinance;~~  
21       ~~and~~



1       ~~(2) The ordinance shall be adopted prior to July 1, 2016,~~  
2             ~~but no earlier than July 1, 2015.~~

3       ~~A county electing to exercise the authority granted under~~  
4 ~~this subsection shall notify the director of taxation within ten~~  
5 ~~days after the county has adopted an ordinance extending the~~  
6 ~~surcharge on state tax. Beginning on January 1, 2023, the~~  
7 ~~director of taxation shall levy, assess, collect, and otherwise~~  
8 ~~administer the extended surcharge on state tax.~~

9       ~~(c) Each county that has not established a surcharge on~~  
10 ~~state tax prior to [July 1, 2015,] may establish the surcharge~~  
11 ~~at the rates enumerated in sections 237-8.6 and 238-2.6. A~~  
12 ~~county electing to establish this surcharge shall do so by~~  
13 ~~ordinance; provided that:~~

14       ~~(1) No ordinance shall be adopted until the county has~~  
15             ~~conducted a public hearing on the proposed ordinance;~~

16       ~~(2) The ordinance shall be adopted prior to July 1, 2016,~~  
17             ~~but no earlier than July 1, 2015; and~~

18       ~~(3) No county surcharge on state tax that may be~~  
19             ~~authorized under this subsection shall be levied prior~~  
20             ~~to January 1, 2018, or after December 31, 2027.~~



1       ~~A county electing to exercise the authority granted under~~  
2 ~~this subsection shall notify the director of taxation within ten~~  
3 ~~days after the county has adopted a surcharge on state tax~~  
4 ~~ordinance. Beginning on January 1, 2018, the director of~~  
5 ~~taxation shall levy, assess, collect, and otherwise administer~~  
6 ~~the county surcharge on state tax.~~

7       ~~(d) Notice of the public hearing required under subsection~~  
8 ~~(b) or (c) before adoption of an ordinance establishing or~~  
9 ~~extending the surcharge on state tax shall be published in a~~  
10 ~~newspaper of general circulation within the county at least~~  
11 ~~twice within a period of thirty days immediately preceding the~~  
12 ~~date of the hearing.]~~

13       ~~[(e)]~~ (c) Each county with a population greater than five  
14 hundred thousand that adopts ~~[or extends]~~ a county surcharge on  
15 state tax ordinance pursuant to subsection (a) ~~[or (b)]~~ shall  
16 use the surcharges received from the State for:

17       (1) Capital costs of a locally preferred alternative for a  
18 mass transit project; and

19       (2) Expenses in complying with the Americans with  
20 Disabilities Act of 1990 with respect to paragraph

21       (1).



1 The county surcharge on state tax shall not be used to build or  
2 repair public roads or highways, bicycle paths, or support  
3 public transportation systems already in existence prior to  
4 July 12, 2005.

5 ~~[(f)]~~ (d) Each county with a population equal to or less  
6 than five hundred thousand that adopts a county surcharge on  
7 state tax ordinance pursuant to this section shall use the  
8 surcharges received from the State for:

9 (1) Operating or capital costs of public transportation  
10 within each county for public transportation systems,  
11 including public roadways or highways, public buses,  
12 trains, ferries, pedestrian paths or sidewalks, or  
13 bicycle paths; and

14 (2) Expenses in complying with the Americans with  
15 Disabilities Act of 1990 with respect to paragraph  
16 (1).

17 ~~[(g)]~~ (e) As used in this section, "capital costs" means  
18 nonrecurring costs required to construct a transit facility or  
19 system, including debt service, costs of land acquisition and  
20 development, acquiring of rights-of-way, planning, design, and  
21 construction, and including equipping and furnishing the



1 facility or system. For a county with a population greater than  
2 five hundred thousand, capital costs also include non-recurring  
3 personal services and other overhead costs that are not intended  
4 to continue after completion of construction of the minimum  
5 operable segment of the locally preferred alternative for a mass  
6 transit project."

7 SECTION 6. Section 237-8.6, Hawaii Revised Statutes, is  
8 amended by amending subsections (a), (b), and (c) to read as  
9 follows:

10 "(a) The county surcharge on state tax, upon the adoption  
11 of county ordinances and in accordance with the requirements of  
12 section 46-16.8, shall be levied, assessed, and collected as  
13 provided in this section on all gross proceeds and gross income  
14 taxable under this chapter. [~~No county shall set the~~] The  
15 county surcharge on state tax shall be set at a rate [~~greater~~  
16 ~~than~~] equal to one-half per cent of all gross proceeds and gross  
17 income taxable under this chapter. All provisions of this  
18 chapter shall apply to the county surcharge on state tax. With  
19 respect to the surcharge, the director of taxation shall have  
20 all the rights and powers provided under this chapter. In  
21 addition, the director of taxation shall have the exclusive



1 rights and power to determine the county or counties in which a  
2 person is engaged in business and, in the case of a person  
3 engaged in business in more than one county, the director shall  
4 determine, through apportionment or other means, that portion of  
5 the surcharge on state tax attributable to business conducted in  
6 each county.

7 (b) Each county surcharge on state tax that ~~[may be]~~ is  
8 adopted ~~[or extended]~~ pursuant to section 46-16.8 shall be  
9 levied beginning in the taxable year after the adoption of the  
10 relevant county ordinance ~~[-; provided that no surcharge on state~~  
11 ~~tax may be levied:-~~

12 ~~(1) Prior to:-~~

13 ~~(A) January 1, 2007, if the county surcharge on state~~  
14 ~~tax was established by an ordinance adopted prior~~  
15 ~~to December 31, 2005; or~~

16 ~~(B) January 1, 2018, if the county surcharge on state~~  
17 ~~tax was established by the adoption of an~~  
18 ~~ordinance after June 30, 2015, but prior to~~  
19 ~~July 1, 2016; and~~

20 ~~(2) After December 31, 2027].~~



1 (c) The county surcharge on state tax, [~~if adopted,~~] upon  
2 adoption, shall be imposed on the gross proceeds or gross income  
3 of all written contracts that require the passing on of the  
4 taxes imposed under this chapter; provided that if the gross  
5 proceeds or gross income are received as payments beginning in  
6 the taxable year in which the taxes become effective, on  
7 contracts entered into before June 30 of the year prior to the  
8 taxable year in which the taxes become effective, and the  
9 written contracts do not provide for the passing on of increased  
10 rates of taxes, the county surcharge on state tax shall not be  
11 imposed on the gross proceeds or gross income covered under the  
12 written contracts. The county surcharge on state tax shall be  
13 imposed on the gross proceeds or gross income from all contracts  
14 entered into on or after June 30 of the year prior to the  
15 taxable year in which the taxes become effective, regardless of  
16 whether the contract allows for the passing on of any tax or any  
17 tax increases."

18 SECTION 7. Section 238-2.6, Hawaii Revised Statutes, is  
19 amended by amending subsections (a) and (b) to read as follows:

20 "(a) The county surcharge on state tax, upon the adoption  
21 of a county ordinance and in accordance with the requirements of



1 section 46-16.8, shall be levied, assessed, and collected as  
2 provided in this section on the value of property and services  
3 taxable under this chapter. [~~No county shall set the~~] The  
4 county surcharge on state tax shall be set at a rate [~~greater~~  
5 ~~than~~] equal to one-half per cent of the value of property  
6 taxable under this chapter. All provisions of this chapter  
7 shall apply to the county surcharge on state tax. With respect  
8 to the surcharge, the director shall have all the rights and  
9 powers provided under this chapter. In addition, the director  
10 of taxation shall have the exclusive rights and power to  
11 determine the county or counties in which a person imports or  
12 purchases tangible personal property and, in the case of a  
13 person importing or purchasing tangible property in more than  
14 one county, the director shall determine, through apportionment  
15 or other means, that portion of the surcharge on state tax  
16 attributable to the importation or purchase in each county.

17 (b) Each county surcharge on state tax that [~~may be~~] is  
18 adopted [~~or extended~~] shall be levied beginning in the taxable  
19 year after the adoption of the relevant county ordinance[~~+~~  
20 ~~provided that no surcharge on state tax may be levied.~~

21 ~~(1) Prior to:~~





1           ~~(A) January 1, 2007, if the county surcharge on state~~  
2           ~~tax was established by an ordinance adopted prior~~  
3           ~~to December 31, 2005; or~~

4           ~~(B) January 1, 2018, if the county surcharge on state~~  
5           ~~tax was established by the adoption of an~~  
6           ~~ordinance after June 30, 2015, but prior to July~~  
7           ~~1, 2016; and~~

8           ~~(2) After December 31, 2027]."~~

9           SECTION 8. Section 248-2.6, Hawaii Revised Statutes, is  
10          amended to read as follows:

11           "~~[†]~~**\$248-2.6[†] County surcharge on state tax; disposition**  
12 **of proceeds.** (a) [~~If adopted by county ordinance, all~~] All  
13 county surcharges on state tax collected by the director of  
14 taxation shall be paid into the state treasury [~~quarterly,~~]  
15 monthly, within ten working days after collection, and shall be  
16 placed by the director of finance in special accounts. Out of  
17 the revenues generated by county surcharges on state tax paid  
18 into each respective state treasury special account, the  
19 director of finance shall deduct [~~ten~~] \_\_\_\_\_ per cent of the  
20 gross proceeds of a respective county's surcharge on state tax  
21 [~~to reimburse the State for the costs of assessment, collection,~~



1 ~~and disposition of the county surcharge on state tax incurred by~~  
2 ~~the State. Amounts retained shall be general fund realizations~~  
3 ~~of the State.] for deposit into the state highway fund created~~  
4 ~~by section 248-8.~~

5 (b) The amounts deducted [~~for costs of assessment,~~  
6 ~~collection, and disposition of county surcharges on state tax]~~  
7 pursuant to subsection (a) shall be withheld from payment to the  
8 counties by the State out of the county surcharges on state tax  
9 collected for the current calendar year.

10 [~~(c) For the purpose of this section, the costs of~~  
11 ~~assessment, collection, and disposition of the county surcharges~~  
12 ~~on state tax shall include any and all costs, direct or~~  
13 ~~indirect, that are deemed necessary and proper to effectively~~  
14 ~~administer this section and sections 237-8.6 and 238-2.6.~~

15 ~~(d)]~~ (c) After the deduction and withholding of the  
16 [~~costs]~~ amounts under subsections (a) and (b), the director of  
17 finance shall pay the remaining balance on [~~(a) quarterly]~~ a  
18 monthly basis to the director of finance of each county that has  
19 adopted a county surcharge on state tax under section 46-16.8.  
20 The [~~quarterly]~~ monthly payments shall be made after the county  
21 surcharges on state tax have been paid into the state treasury



1 special accounts or after the disposition of any tax appeal, as  
2 the case may be.

3 [All] Prior to July 1, 2018, all county surcharges on state  
4 tax revenues collected shall be distributed by the director of  
5 finance to the county in which the county surcharge on state tax  
6 is generated and shall be a general fund realization of the  
7 county, to be used for the purposes specified in section 46-16.8  
8 by each of the counties. Beginning July 1, 2018, after the  
9 deduction of gross proceeds authorized pursuant to subsection  
10 (a), all remaining county surcharge on state tax revenues  
11 collected shall be distributed by the director of finance and  
12 allocated as follows:

13 (1) The county of Kauai shall receive \_\_\_\_\_ per cent;

14 (2) The county of Hawaii shall receive \_\_\_\_\_ per cent;

15 (3) The city and county of Honolulu shall receive \_\_\_\_\_  
16 per cent; and

17 (4) The county of Maui shall receive \_\_\_\_\_ per cent;

18 provided that if the county surcharge on state tax has not been  
19 adopted by all counties, all remaining surcharge on state tax  
20 revenues due to the counties shall be allocated among those  
21 counties that have adopted the county surcharge on state tax



1 according to the percentages established in paragraphs (1) to  
2 (4). These distributions shall be general fund realizations of  
3 the counties, to be used for the purposes specified in section  
4 46-16.8 by each of the counties."

5 SECTION 9. Act 247, Session Laws of Hawaii 2005, as  
6 amended by section 7 of Act 240, Session Laws of Hawaii 2015, is  
7 amended by amending section 9 to read as follows:

8 "SECTION 9. This Act shall take effect upon its approval[~~+~~  
9 ~~provided that:~~

- 10 ~~(1) If none of the counties of the State adopt an~~  
11 ~~ordinance to levy a county surcharge on state tax by~~  
12 ~~December 31, 2005, this Act shall be repealed and~~  
13 ~~section 437D-8.4, Hawaii Revised Statutes, shall be~~  
14 ~~reenacted in the form in which it read on the day~~  
15 ~~prior to the effective date of this Act;~~
- 16 ~~(2) If any county does not adopt an ordinance to levy a~~  
17 ~~county surcharge on state tax by December 31, 2005, it~~  
18 ~~shall be prohibited from adopting such an ordinance~~  
19 ~~pursuant to this Act, unless otherwise authorized by~~  
20 ~~the legislature through a separate legislative act;~~  
21 and



1        ~~(3) If an ordinance to levy a county surcharge on state~~  
2        ~~tax is adopted by December 31, 2005:~~

3        ~~(A) The ordinance shall be repealed on December 31,~~  
4        ~~2022; provided that the repeal of the ordinance~~  
5        ~~shall not affect the validity or effect of an~~  
6        ~~ordinance to extend a surcharge on state tax~~  
7        ~~adopted pursuant to Act 240, Session Laws of~~  
8        ~~Hawaii 2015;~~

9        ~~(B) This Act shall be repealed on December 31, 2027;~~  
10       ~~and~~

11       ~~(C) Section 437D-8.4, Hawaii Revised Statutes, shall~~  
12       ~~be reenacted in the form in which it read on the~~  
13       ~~day prior to the effective date of this Act;~~  
14       ~~provided that the amendments made to section~~  
15       ~~437D-8.4, Hawaii Revised Statutes, by Act 226,~~  
16       ~~Session Laws of Hawaii 2008, as amended by Act~~  
17       ~~11, Session Laws of Hawaii 2009, and Act 110,~~  
18       ~~Session Laws of Hawaii 2014, shall not be~~  
19       ~~repealed]."~~

PART III



1 SECTION 10. Section 46-16.8, Hawaii Revised Statutes, is  
2 amended by amending subsections (b) and (c) to read as follows:

3 "(b) Each county that has established a surcharge on state  
4 tax prior to ~~[+]July 1, 2015, [+~~ under authority of subsection  
5 (a) may extend the surcharge from January 1, 2023, until  
6 December 31, ~~[2027,]~~ 2032, at the same rates. A county electing  
7 to extend this surcharge shall do so by ordinance; provided  
8 that ~~[+~~

9 ~~(1) No~~ no ordinance shall be adopted until the county has  
10 conducted a public hearing on the proposed ordinance ~~[+~~  
11 and

12 ~~(2) The ordinance shall be adopted prior to July 1, 2016,~~  
13 ~~but no earlier than July 1, 2015].~~

14 A county electing to exercise the authority granted under  
15 this subsection shall notify the director of taxation within ten  
16 days after the county has adopted an ordinance extending the  
17 surcharge on state tax. Beginning on January 1, 2023, the  
18 director of taxation shall levy, assess, collect, and otherwise  
19 administer the extended surcharge on state tax.

20 (c) Each county that has not established a surcharge on  
21 state tax prior to ~~[+]July 1, [2015, +]~~ 2017, may establish the



1 surcharge at the rates enumerated in sections 237-8.6 and  
2 238-2.6. A county electing to establish this surcharge shall do  
3 so by ordinance; provided that:

4 (1) No ordinance shall be adopted until the county has  
5 conducted a public hearing on the proposed ordinance;

6 ~~[(2) The ordinance shall be adopted prior to July 1, 2016,~~  
7 ~~but no earlier than July 1, 2015;]~~ and

8 ~~[(3)]~~ (2) No county surcharge on state tax that may be  
9 authorized under this subsection shall be levied prior  
10 to January 1, 2018, or after December 31, ~~[2027.]~~  
11 2032.

12 A county electing to exercise the authority granted under  
13 this subsection shall notify the director of taxation within ten  
14 days after the county has adopted a surcharge on state tax  
15 ordinance. Beginning on January 1, 2018, the director of  
16 taxation shall levy, assess, collect, and otherwise administer  
17 the county surcharge on state tax."

18 SECTION 11. Section 248-2.6, Hawaii Revised Statutes, is  
19 amended by amending subsection (a) to read as follows:

20 "(a) If adopted by county ordinance, all county surcharges  
21 on state tax collected by the director of taxation shall be paid



1 into the state treasury quarterly, within ten working days after  
2 collection, and shall be placed by the director of finance in  
3 special accounts. Out of the revenues generated by county  
4 surcharges on state tax paid into each respective state treasury  
5 special account, the director of finance shall deduct ten per  
6 cent of the gross proceeds of a respective county's surcharge on  
7 state tax [~~to reimburse the State for the costs of assessment,~~  
8 ~~collection, and disposition of the county surcharge on state tax~~  
9 ~~incurred by the State. Amounts]; provided that \_\_\_\_\_ per cent  
10 of the amounts retained shall be [general fund realizations of  
11 the State.] used by the department of transportation for transit  
12 oriented development and infrastructure improvement purposes."~~

13 SECTION 12. Act 247, Session Laws of Hawaii 2005, as  
14 amended by section 7 of Act 240, Session Laws of Hawaii 2015, is  
15 amended by amending section 9 to read as follows:

16 "SECTION 9. This Act shall take effect upon its approval;  
17 provided that:

18 (1) If none of the counties of the State adopt an  
19 ordinance to levy a county surcharge on state tax by  
20 December 31, 2005, this Act shall be repealed and  
21 section 437D-8.4, Hawaii Revised Statutes, shall be





1           reenacted in the form in which it read on the day  
2           prior to the effective date of this Act;

3           (2) If any county does not adopt an ordinance to levy a  
4           county surcharge on state tax by December 31, 2005, it  
5           shall be prohibited from adopting such an ordinance  
6           pursuant to this Act, unless otherwise authorized by  
7           the legislature through a separate legislative act;  
8           and

9           (3) If an ordinance to levy a county surcharge on state  
10          tax is adopted by December 31, 2005:

11          (A) The ordinance shall be repealed on December 31,  
12             ~~[2022;]~~ 2032; provided that the repeal of the  
13             ordinance shall not affect the validity or effect  
14             of an ordinance to extend a surcharge on state  
15             tax adopted pursuant to Act 134, Session Laws of  
16             Hawaii 2015;

17          (B) This Act shall be repealed on December 31,  
18             ~~[2027;]~~ 2032; and

19          (C) Section 437D-8.4, Hawaii Revised Statutes, shall  
20             be reenacted in the form in which it read on the  
21             date prior to the effective date of this Act;



1 provided that the amendments made to section  
2 437D-8.4, Hawaii Revised Statutes, by Act 226,  
3 Session Laws of Hawaii 2008, as amended by Act  
4 11, Session Laws of Hawaii 2009, and Act 110,  
5 Session Laws of Hawaii 2014, shall not be  
6 repealed."

7 SECTION 13. No later than December 31, 2027, the following  
8 parcels shall be transferred from the Hawaii community  
9 development authority to the city and county of Honolulu:

- 10 (1) A portion of South and Pohukaina streets, improvement  
11 district 1, parcel 5, identified as a 6,806 square  
12 foot parcel, TMK No. 2-1-29:06, with an appraised  
13 value of \$100;
- 14 (2) A portion of South street, improvement district 1,  
15 parcel 1, identified as a 1,595 square foot parcel,  
16 TMK No. 2-1-29:07, with an appraised value of \$100;
- 17 (3) Portions of South and Halekauwila streets, improvement  
18 district 1, parcels 7, 8, 9, and 10, identified as a  
19 640 square foot parcel, TMK No. 2-1-30:46, with an  
20 appraised value of \$100;



- 1 (4) A portion of Pohukaina street, improvement district 1,  
2 parcel 11, improvement district 2 parcels 1, 2, and 3,  
3 identified as a 4,380 square foot parcel, TMK No. 2-1-  
4 30:47, with an appraised value of \$100;
- 5 (5) A portion of South street, improvement district 1,  
6 parcels 12, and 13, identified as a 758 square foot  
7 parcel, TMK No. 2-1-30:48, with an appraised value of  
8 \$100;
- 9 (6) Portions of South and Pohukaina streets, improvement  
10 district 1, parcel 6, identified as a 4,586 square  
11 foot parcel, TMK No. 2-1-30:49, with an appraised  
12 value of \$100;
- 13 (7) A portion of Halekauwila street, improvement district  
14 1, parcel 14, identified as a 23 square foot parcel,  
15 TMK No. 2-1-31:37, with an appraised value of \$100;
- 16 (8) A portion of South street, improvement district 1,  
17 parcels 18, 19, 20 and 21, identified as a 5,095  
18 square foot parcel, TMK No. 2-1-31:38, with an  
19 appraised value of \$100;
- 20 (9) Portions of Queen and South streets, improvement  
21 district 1, parcels 15, 16, 17, 26, 27, 29, and 30,



- 1 identified as a 9,761 square foot parcel, TMK No. 2-1-  
2 32:25, with an appraised value of \$100;
- 3 (10) A portion of South street, improvement district 1,  
4 parcel 28, identified as a 1,450 square foot parcel,  
5 TMK No. 2-1-47:09, with an appraised value of \$100;
- 6 (11) Portions of Cooke and Kawaiahao streets, improvement  
7 district 1, parcels 31, 32, 33, 34, 35, 37, 38, 39,  
8 40, and improvement district 3, parcels 10 and 11,  
9 identified as a 27,598 square foot parcel, TMK No.  
10 2-1-48:20, with an appraised value of \$3,000;
- 11 (12) A portion of South street, improvement district 1,  
12 parcels 22, 23, 24 and 25, identified as a 5,049  
13 square foot parcel, TMK No. 2-1-48:21, with an  
14 appraised value of \$100;
- 15 (13) The corner of Cooke and Kawaiahao streets, improvement  
16 district 3, parcel 13, identified as an 86 square foot  
17 parcel, TMK No. 2-1-49:51, with an appraised value of  
18 \$100;
- 19 (14) A portion of Queen street, improvement district 3,  
20 parcel 16, identified as a 286 square foot parcel, TMK  
21 No. 2-1-49:81, with an appraised value of \$100;



- 1 (15) The corner of Cooke street and Kapiolani boulevard,  
2 improvement district 3, parcel 12, identified as a 155  
3 square foot parcel, TMK No. 2-1-49:83, with an  
4 appraised value of \$100;
- 5 (16) The corner of Cooke and Ilaniwai streets improvement  
6 district 3, parcel 19, identified as an 86 square foot  
7 parcel, TMK No. 2-1-50:66, with an appraised value of  
8 \$100;
- 9 (17) A portion of Halekauwila street, improvement district  
10 3, parcels 22A, 22D, 23A, 23B, 24A, 24B, 25A,  
11 identified as an 18,614 square foot parcel, TMK No.  
12 2-1-50: a portion of 67, with an appraised value of  
13 \$3,600;
- 14 (18) A portion of Cooke street, improvement district 3,  
15 parcels 21A and 21B, identified as a 235 square foot  
16 parcel, TMK No. 2-1-50:69, with an appraised value of  
17 \$100;
- 18 (19) The corner of Cooke and Queen streets, improvement  
19 district 3, parcel 18, identified as an 86 square foot  
20 parcel, TMK No. 2-1-50: a portion of Cooke and Queen  
21 streets, with an appraised value of \$100;



- 1           (20) A portion of Cooke and Pohukaina streets, improvement  
2                    district 2, parcel 7, and improvement district 3,  
3                    parcels 1A, 1B, 1C, 2, and 3, identified as an 11,646  
4                    square foot parcel, TMK No. 2-1-51: a portion of 03,  
5                    with an appraised value of \$1,300;
- 6           (21) A portion of Cooke street, improvement district 3,  
7                    parcel 8, identified as a 750 square foot parcel, TMK  
8                    No. 2-1-51: a portion of 14, with an appraised value  
9                    of \$100;
- 10          (22) Portions of Halekauwila and Cooke streets, improvement  
11                    district 3, parcel 4A, identified as a 7,207 square  
12                    foot parcel, TMK No. 2-1-51: a portion of 19, with an  
13                    appraised value of \$200;
- 14          (23) A portion of Coral street, improvement district 1,  
15                    parcel 36, identified as an 82 square foot parcel, TMK  
16                    No. 2-1-51:34, with an appraised value of \$100;
- 17          (24) A portion of Cooke street, improvement district 3,  
18                    parcel 9, identified as an 836 square foot parcel, TMK  
19                    No. 2-1-51:36, with an appraised value of \$100;



- 1 (25) A portion of Cooke street, improvement district 3,  
2 parcel 7, identified as a 1,628 square foot parcel,  
3 TMK No. 2-1-51:37, with an appraised value of 100;
- 4 (26) A portion of Pohukaina street, improvement district 2,  
5 parcel 4, identified as a 7,000 square foot parcel,  
6 TMK No. 2-1-51:40, with an appraised value of \$100;
- 7 (27) A portion of Pohukaina street, improvement district 2,  
8 parcel 6, identified as a 160 square foot parcel, TMK  
9 No. 2-1-51: portion of Lana lane, with an appraised  
10 value of \$100;
- 11 (28) Portions of Halekauwila street and Lana lane,  
12 improvement district 3, parcels 5A, identified as a  
13 400 square foot parcel, TMK No. 2-1-51: portion of  
14 Lana lane and Halekauwila street, with an appraised  
15 value of \$100;
- 16 (29) A portion of Halekauwila street, identified as a  
17 37,261 square foot parcel, TMK No. 2-1-52: a portion  
18 of 22, with an appraised value of \$4,300;
- 19 (30) A portion of Cooke street, improvement district 2,  
20 parcel 8, and improvement district 3, parcels 26A, 26B



- 1 and 27, identified as a 1,520 square foot parcel, TMK  
2 No. 2-1-52:55, with an appraised value of \$100;
- 3 (31) A portion of Cooke street, improvement district 2,  
4 parcel 16, identified as a 4,892 square foot parcel,  
5 TMK No. 2-1-53:31, with an appraised value of \$100;
- 6 (32) A portion of South and Auahi streets, improvement  
7 district 1, parcels 3, identified as an 86 square foot  
8 parcel, TMK No. 2-1-54:34, with an appraised value of  
9 \$100;
- 10 (33) A portion of South and Pohukaina streets, improvement  
11 district 1, parcel 4, identified as an 86 square foot  
12 parcel, TMK No. 2-1-54:35, with an appraised value of  
13 \$100;
- 14 (34) A portion of Cooke street, improvement district 2,  
15 parcel 14, identified as a 707 square foot parcel, TMK  
16 No. 2-1-54:36, with an appraised value of \$100;
- 17 (35) A portion of South and Auahi streets, improvement  
18 district 1, parcel 2, identified as an 86 square foot  
19 parcel, TMK No. 2-1-55:39, with an appraised value of  
20 \$100;





- 1 (36) A portion of Cooke street, improvement district 2,  
2 parcels 9, 10, 11, 12, and 13, identified as a 512  
3 square foot parcel, TMK No. 2-1-55:40, with an  
4 appraised value of \$100;
- 5 (37) A portion of Cooke street, improvement district 2,  
6 parcel 15, identified as a 3,189 square foot parcel,  
7 TMK No. 2-1-56:12, with an appraised value of \$100;
- 8 (38) A portion of Ahui street, improvement district 12,  
9 parcel 10, identified as an 18,818 square foot parcel,  
10 TMK No. 2-1-58: portion of Ahui street, with an  
11 appraised value of \$2,600;
- 12 (39) Portions of Ohe, Olomehani, and Ahui streets,  
13 improvement district 12, parcel 11, identified as a  
14 3.248 acre parcel, TMK No. 2-1-60: portions of 4, 6,  
15 and Ahui street, with an appraised value of \$6,400;
- 16 (40) A portion of Kamakee street, improvement district 4,  
17 parcel 1, 2, 3, 4, 8, 9, 10, 11, 17, 18, 21, 22, 23,  
18 lot 239-B, identified as an 11,649 square foot parcel,  
19 TMK No. 2-3-03:103, with an appraised value of \$100;
- 20 (41) A portion of Queen street at Kamakee street,  
21 identified as an approximately 26,826 square foot



- 1 parcel, TMK No. 2-3-03:87, with an appraised value of  
2 \$800;
- 3 (42) A portion of Kamakee and Queen streets, improvement  
4 district 4, parcels 5 and 6, and improvement district  
5 10, lots 454 and 456, LCA 670, map 46, identified as a  
6 3,431 square foot parcel, TMK No. 2-3-04: a portion of  
7 29, with an appraised value of \$100;
- 8 (43) A portion of Kamakee street, improvement district 4,  
9 parcels 19, 20, 24, and 25, identified as an 8,075  
10 square foot parcel, TMK No. 2-3-04:74, with an  
11 appraised value of \$100;
- 12 (44) A portion of Waimanu street, improvement district 10,  
13 lot 30A, LCA 948, map 8, improvement district 10, lot  
14 31B, LCA 948, map 9, improvement district 10, lot 1B,  
15 LCC 53, map 22, identified as a 20,686 square foot  
16 parcel, TMK No. 2-3-04: portion of 80, with an  
17 appraised value of \$100;
- 18 (45) A portion of Queen street, improvement district 10,  
19 lot 4, LCC 188, map 3, identified as a 44,385 square  
20 foot parcel, TMK Nos. 2-3-04: portion of 80 and 2-3-  
21 06: portion of 14, with an appraised value of \$900;



- 1       (46) A portion of Kamakee street, improvement district 4,  
2             parcel 13, identified as a 910 square foot parcel, TMK  
3             No. 2-3-04: portion of Kamakee street, with an  
4             appraised value of \$100;
- 5       (47) A portion of Kamakee street, improvement district 4,  
6             parcel 14, identified as an 892 square foot parcel,  
7             TMK No. 2-3-04: portion of Kamakee street, with an  
8             appraised value of \$100;
- 9       (48) A portion of Kamakee street, improvement district 4,  
10            parcels 15, and 16, identified as a 1,784 square foot  
11            parcel, TMK No. 2-3-04: portion of Kamakee street,  
12            with an appraised value of \$100;
- 13       (49) A portion of Kawaiahao street, improvement district 4,  
14            parcel 7, identified as a 710 square foot parcel, TMK  
15            No. 2-3-04: portion of Kawaiahao street, with an  
16            appraised value of \$100;
- 17       (50) A portion of Waimanu street, identified as a 9,507  
18            square foot parcel, TMK No. 2-3-06:16, with an  
19            appraised value of \$100;
- 20       (51) A portion of Waimanu street, improvement district 10  
21            lot 915-B-2, LCA 880, map 132, and improvement



1 district 10 lot 30-B-2, LCA 948, map 10, identified as  
2 a 3,160 square foot parcel, TMK No. 2-3-06: portion of  
3 14, with an appraised value of \$100;

4 (52) A portion of Waimanu street, improvement district 10  
5 lot 915-C, LCA 880, map 131, and improvement district  
6 10 lot 1-B, LCC 194, map 2, identified as a 9,194  
7 square foot parcel, TMK No. 2-3-06: portion of 15,  
8 with an appraised value of \$100; and

9 (53) The corner of Waimanu and Pensacola streets,  
10 improvement district 10 lot 885-a, LCA 880, map 136,  
11 identified as an 86 square foot parcel, TMK No. 2-3-  
12 07: portion of Waimanu and Pensacola streets, with an  
13 appraised value of \$100.

14 SECTION 14. No later than December 31, 2027, the city and  
15 county of Honolulu shall:

- 16 (1) Create a bus rapid transit lane connecting central  
17 Oahu to the Pearl highlands station;
- 18 (2) Create a secondary access road into leeward community  
19 college;
- 20 (3) Expedite permitting for infrastructure improvements  
21 related to rapid transportation projects; and



1 (4) Upzone all state-owned lands along the rail corridor.

2 SECTION 15. No later than December 31, 2027, the city and  
3 county of Honolulu shall:

4 (1) Notwithstanding chapter 343, Hawaii Revised Statutes,  
5 expedite any environmental impact statement and  
6 environmental assessment, as appropriate, for widening  
7 of Farrington highway from Kapolei golf course to Fort  
8 Weaver road;

9 (2) Transfer to the State all land owned by the city and  
10 county of Honolulu upon which the department of  
11 education has a department school or facility;

12 (3) Expedite planning and design for increased  
13 infrastructure, including water, sewer, drain, and  
14 roadways, in Iwilei-Kapalama, Halawa/Aloha Stadium,  
15 and West Oahu;

16 (4) Accept the dedication of roads, sidewalk trees,  
17 drainage catch basins, and other improvements within  
18 the road lots within or adjacent to the Village of  
19 Kapolei from the Hawaii housing finance and  
20 development corporation upon payment of \$15,000,000 by  
21 the corporation;



- 1 (5) Accept all roads and streets in which there is an
- 2 ownership dispute between the city and county of
- 3 Honolulu, the State, and/or private landowners;
- 4 (6) Expedite the identification of alternatives to
- 5 relocate electrical lines along Dillingham boulevard
- 6 with the least impact to state lands;
- 7 (7) Add capacity to the sewer in Kapalama canal to allow
- 8 the Hawaii community college science building to hook
- 9 up to the city and county sewer line;
- 10 (8) Notwithstanding any law to the contrary, allow the
- 11 State to design projects on state-owned land within a
- 12 one-half mile radius of any rail station; and
- 13 (9) Complete the lifting of city and county of Honolulu
- 14 covenants relating to Aloha Stadium by September 30,
- 15 2017.

**PART IV**

17 SECTION 16. The legislature finds that one county has

18 adopted a surcharge on state tax to help pay for capital costs

19 of a locally-preferred alternative to mass transit project.

20 However, the project is facing a budgetary shortfall and

21 continues to be plagued with rising costs.



1           The legislature further finds that the State is facing an  
2 increase in its educational, transportation, affordable housing,  
3 and elderly care needs. Additional revenues are needed to  
4 support these critical areas.

5           The purpose of this part is to increase the general excise  
6 tax and use tax by one-half per cent, with an unspecified  
7 portion of the additional revenues generated by the increase to  
8 be transferred to a county that has adopted a surcharge on state  
9 tax on a temporary basis and to be partially matched by the  
10 applicable county, with the remainder of the additional revenues  
11 being used to support the State's education, transportation,  
12 affordable housing, and elderly care needs. This part also  
13 repeals the counties' authority to levy a surcharge on state tax  
14 on January 1, 2019. It is the legislature's intent that the  
15 repeal of the county surcharge, coupled with the increase in the  
16 general excise tax and use tax will even the disparity in  
17 generating tax revenues for the State across all counties.

18           SECTION 17. Section 237-13, Hawaii Revised Statutes, is  
19 amended to read as follows:

20           "**§237-13 Imposition of tax.** There is hereby levied and  
21 shall be assessed and collected annually privilege taxes against



1 persons on account of their business and other activities in the  
2 State measured by the application of rates against values of  
3 products, gross proceeds of sales, or gross income, whichever is  
4 specified, as follows:

5 (1) Tax on manufacturers.

6 (A) Upon every person engaging or continuing within  
7 the State in the business of manufacturing,  
8 including compounding, canning, preserving,  
9 packing, printing, publishing, milling,  
10 processing, refining, or preparing for sale,  
11 profit, or commercial use, either directly or  
12 through the activity of others, in whole or in  
13 part, any article or articles, substance or  
14 substances, commodity or commodities, the amount  
15 of the tax to be equal to the value of the  
16 articles, substances, or commodities,  
17 manufactured, compounded, canned, preserved,  
18 packed, printed, milled, processed, refined, or  
19 prepared for sale, as shown by the gross proceeds  
20 derived from the sale thereof by the manufacturer





1 or person compounding, preparing, or printing  
2 them, multiplied by one-half of one per cent.

3 (B) The measure of the tax on manufacturers is the  
4 value of the entire product for sale, regardless  
5 of the place of sale or the fact that deliveries  
6 may be made to points outside the State.

7 (C) If any person liable for the tax on manufacturers  
8 ships or transports the person's product, or any  
9 part thereof, out of the State, whether in a  
10 finished or unfinished condition, or sells the  
11 same for delivery to points outside the State  
12 (for example, consigned to a mainland purchaser  
13 via common carrier f.o.b. Honolulu), the value of  
14 the products in the condition or form in which  
15 they exist immediately before entering interstate  
16 or foreign commerce, determined as hereinafter  
17 provided, shall be the basis for the assessment  
18 of the tax imposed by this paragraph. This tax  
19 shall be due and payable as of the date of entry  
20 of the products into interstate or foreign  
21 commerce, whether the products are then sold or



1 not. The department shall determine the basis  
2 for assessment, as provided by this paragraph, as  
3 follows:

4 (i) If the products at the time of their entry  
5 into interstate or foreign commerce already  
6 have been sold, the gross proceeds of sale,  
7 less the transportation expenses, if any,  
8 incurred in realizing the gross proceeds for  
9 transportation from the time of entry of the  
10 products into interstate or foreign  
11 commerce, including insurance and storage in  
12 transit, shall be the measure of the value  
13 of the products;

14 (ii) If the products have not been sold at the  
15 time of their entry into interstate or  
16 foreign commerce, and in cases governed by  
17 clause (i) in which the products are sold  
18 under circumstances such that the gross  
19 proceeds of sale are not indicative of the  
20 true value of the products, the value of the  
21 products constituting the basis for



1 assessment shall correspond as nearly as  
2 possible to the gross proceeds of sales for  
3 delivery outside the State, adjusted as  
4 provided in clause (i), or if sufficient  
5 data are not available, sales in the State,  
6 of similar products of like quality and  
7 character and in similar quantities, made by  
8 the taxpayer (unless not indicative of the  
9 true value) or by others. Sales outside the  
10 State, adjusted as provided in clause (i),  
11 may be considered when they constitute the  
12 best available data. The department shall  
13 prescribe uniform and equitable rules for  
14 ascertaining the values;

15 (iii) At the election of the taxpayer and with the  
16 approval of the department, the taxpayer may  
17 make the taxpayer's returns under clause (i)  
18 even though the products have not been sold  
19 at the time of their entry into interstate  
20 or foreign commerce; and



1 (iv) In all cases in which products leave the  
2 State in an unfinished condition, the basis  
3 for assessment shall be adjusted so as to  
4 deduct the portion of the value as is  
5 attributable to the finishing of the goods  
6 outside the State.

7 (2) Tax on business of selling tangible personal property;  
8 producing.

9 (A) Upon every person engaging or continuing in the  
10 business of selling any tangible personal  
11 property whatsoever (not including, however,  
12 bonds or other evidence of indebtedness, or  
13 stocks), there is likewise hereby levied, and  
14 shall be assessed and collected, a tax equivalent  
15 to four and one-half per cent of the gross  
16 proceeds of sales of the business; provided that,  
17 in the case of a wholesaler, the tax shall be  
18 equal to one-half of one per cent of the gross  
19 proceeds of sales of the business; and provided  
20 further that insofar as the sale of tangible  
21 personal property is a wholesale sale under



1 section 237-4(a)(8), the tax shall be one-half of  
2 one per cent of the gross proceeds. Upon every  
3 person engaging or continuing within this State  
4 in the business of a producer, the tax shall be  
5 equal to one-half of one per cent of the gross  
6 proceeds of sales of the business, or the value  
7 of the products, for sale, if sold for delivery  
8 outside the State or shipped or transported out  
9 of the State, and the value of the products shall  
10 be determined in the same manner as the value of  
11 manufactured products covered in the cases under  
12 paragraph (1)(C).

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



1 and whenever there occurs in the State an  
2 activity to which, under the Constitution and  
3 Acts of Congress, there may be attributed gross  
4 proceeds of sales, the gross proceeds shall be so  
5 attributed.

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

18 (D) When a manufacturer or producer, engaged in such  
19 business in the State, also is engaged in selling  
20 the manufacturer's or producer's products in the  
21 State at wholesale, retail, or in any other



1 manner, the tax for the privilege of engaging in  
2 the business of selling the products in the State  
3 shall apply to the manufacturer or producer as  
4 well as the tax for the privilege of  
5 manufacturing or producing in the State, and the  
6 manufacturer or producer shall make the returns  
7 of the gross proceeds of the wholesale, retail,  
8 or other sales required for the privilege of  
9 selling in the State, as well as making the  
10 returns of the value or gross proceeds of sales  
11 of the products required for the privilege of  
12 manufacturing or producing in the State. The  
13 manufacturer or producer shall pay the tax  
14 imposed in this chapter for the privilege of  
15 selling its products in the State, and the value  
16 or gross proceeds of sales of the products, thus  
17 subjected to tax, may be deducted insofar as  
18 duplicated as to the same products by the measure  
19 of the tax upon the manufacturer or producer for  
20 the privilege of manufacturing or producing in  
21 the State; provided that no producer of



1 agricultural products who sells the products to a  
2 purchaser who will process the products outside  
3 the State shall be required to pay the tax  
4 imposed in this chapter for the privilege of  
5 producing or selling those products.

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

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

17 (i) Any purchaser who furnishes a certificate  
18 shall be obligated to pay to the seller,  
19 upon demand, the amount of the additional  
20 tax that is imposed upon the seller whenever  
21 the sale in fact is not at wholesale; and





1 (ii) The absence of a certificate in itself shall  
2 give rise to the presumption that the sale  
3 is not at wholesale unless the sales of the  
4 business are exclusively at wholesale.

5 (3) Tax upon contractors.

6 (A) Upon every person engaging or continuing within  
7 the State in the business of contracting, the tax  
8 shall be equal to four and one-half per cent of  
9 the gross income of the business.

10 (B) In computing the tax levied under this paragraph,  
11 there shall be deducted from the gross income of  
12 the taxpayer so much thereof as has been included  
13 in the measure of the tax levied under  
14 subparagraph (A), on:

15 (i) Another taxpayer who is a contractor, as  
16 defined in section 237-6;

17 (ii) A specialty contractor, duly licensed by the  
18 department of commerce and consumer affairs  
19 pursuant to section 444-9, in respect of the  
20 specialty contractor's business; or



1 (iii) A specialty contractor who is not licensed  
2 by the department of commerce and consumer  
3 affairs pursuant to section 444-9, but who  
4 performs contracting activities on federal  
5 military installations and nowhere else in  
6 this State;

7 provided that any person claiming a deduction  
8 under this paragraph shall be required to show in  
9 the person's return the name and general excise  
10 number of the person paying the tax on the amount  
11 deducted by the person.

12 (C) In computing the tax levied under this paragraph  
13 against any federal cost-plus contractor, there  
14 shall be excluded from the gross income of the  
15 contractor so much thereof as fulfills the  
16 following requirements:

17 (i) The gross income exempted shall constitute  
18 reimbursement of costs incurred for  
19 materials, plant, or equipment purchased  
20 from a taxpayer licensed under this chapter,  
21 not exceeding the gross proceeds of sale of



1                   the taxpayer on account of the transaction;  
2                   and  
3           (ii) The taxpayer making the sale shall have  
4                   certified to the department that the  
5                   taxpayer is taxable with respect to the  
6                   gross proceeds of the sale, and that the  
7                   taxpayer elects to have the tax on gross  
8                   income computed the same as upon a sale to  
9                   the state government.

10           (D) A person who, as a business or as a part of a  
11                   business in which the person is engaged, erects,  
12                   constructs, or improves any building or  
13                   structure, of any kind or description, or makes,  
14                   constructs, or improves any road, street,  
15                   sidewalk, sewer, or water system, or other  
16                   improvements on land held by the person (whether  
17                   held as a leasehold, fee simple, or otherwise),  
18                   upon the sale or other disposition of the land or  
19                   improvements, even if the work was not done  
20                   pursuant to a contract, shall be liable to the  
21                   same tax as if engaged in the business of



1 contracting, unless the person shows that at the  
2 time the person was engaged in making the  
3 improvements the person intended, and for the  
4 period of at least one year after completion of  
5 the building, structure, or other improvements  
6 the person continued to intend to hold and not  
7 sell or otherwise dispose of the land or  
8 improvements. The tax in respect of the  
9 improvements shall be measured by the amount of  
10 the proceeds of the sale or other disposition  
11 that is attributable to the erection,  
12 construction, or improvement of such building or  
13 structure, or the making, constructing, or  
14 improving of the road, street, sidewalk, sewer,  
15 or water system, or other improvements. The  
16 measure of tax in respect of the improvements  
17 shall not exceed the amount which would have been  
18 taxable had the work been performed by another,  
19 subject as in other cases to the deductions  
20 allowed by subparagraph (B). Upon the election  
21 of the taxpayer, this paragraph may be applied



1 notwithstanding that the improvements were not  
2 made by the taxpayer, or were not made as a  
3 business or as a part of a business, or were made  
4 with the intention of holding the same. However,  
5 this paragraph shall not apply in respect of any  
6 proceeds that constitute or are in the nature of  
7 rent; all such gross income shall be taxable  
8 under paragraph (9); provided that insofar as the  
9 business of renting or leasing real property  
10 under a lease is taxed under section 237-16.5,  
11 the tax shall be levied by section 237-16.5.

12 (4) Tax upon theaters, amusements, radio broadcasting  
13 stations, etc.

14 (A) Upon every person engaging or continuing within  
15 the State in the business of operating a theater,  
16 opera house, moving picture show, vaudeville,  
17 amusement park, dance hall, skating rink, radio  
18 broadcasting station, or any other place at which  
19 amusements are offered to the public, the tax  
20 shall be equal to four and one-half per cent of  
21 the gross income of the business, and in the case



1 of a sale of an amusement at wholesale under  
2 section 237-4(a)(13), the tax shall be one-half  
3 of one per cent of the gross income.

4 (B) The department may require that the person  
5 rendering an amusement at wholesale take from the  
6 licensed seller a certificate, in a form  
7 prescribed by the department, certifying that the  
8 sale is a sale at wholesale; provided that:

9 (i) Any licensed seller who furnishes a  
10 certificate shall be obligated to pay to the  
11 person rendering the amusement, upon demand,  
12 the amount of additional tax that is imposed  
13 upon the seller whenever the sale is not at  
14 wholesale; and

15 (ii) The absence of a certificate in itself shall  
16 give rise to the presumption that the sale  
17 is not at wholesale unless the person  
18 rendering the sale is exclusively rendering  
19 the amusement at wholesale.

20 (5) Tax upon sales representatives, etc. Upon every  
21 person classified as a representative or purchasing



1 agent under section 237-1, engaging or continuing  
2 within the State in the business of performing  
3 services for another, other than as an employee, there  
4 is likewise hereby levied and shall be assessed and  
5 collected a tax equal to four and one-half per cent of  
6 the commissions and other compensation attributable to  
7 the services so rendered by the person.

8 (6) Tax on service business.

9 (A) Upon every person engaging or continuing within  
10 the State in any service business or calling  
11 including professional services not otherwise  
12 specifically taxed under this chapter, there is  
13 likewise hereby levied and shall be assessed and  
14 collected a tax equal to four and one-half per  
15 cent of the gross income of the business, and in  
16 the case of a wholesaler under section  
17 237-4(a)(10), the tax shall be equal to one-half  
18 of one per cent of the gross income of the  
19 business.

20 (B) The department may require that the person  
21 rendering a service at wholesale take from the



1 licensed seller a certificate, in a form  
2 prescribed by the department, certifying that the  
3 sale is a sale at wholesale; provided that:

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

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

15 (C) Where any person is engaged in the business of  
16 selling interstate or foreign common carrier  
17 telecommunication services within and without the  
18 State, other than as a home service provider, the  
19 tax shall be imposed on that portion of gross  
20 income received by a person from service which is  
21 originated or terminated in this State and is





1 charged to a telephone number, customer, or  
2 account in this State notwithstanding any other  
3 state law (except for the exemption under section  
4 237-23(a)(1)) to the contrary. If, under the  
5 Constitution and laws of the United States, the  
6 entire gross income as determined under this  
7 paragraph of a business selling interstate or  
8 foreign common carrier telecommunication services  
9 cannot be included in the measure of the tax, the  
10 gross income shall be apportioned as provided in  
11 section 237-21; provided that the apportionment  
12 factor and formula shall be the same for all  
13 persons providing those services in the State.

14 (D) Where any person is engaged in the business of a  
15 home service provider, the tax shall be imposed  
16 on the gross income received or derived from  
17 providing interstate or foreign mobile  
18 telecommunications services to a customer with a  
19 place of primary use in this State when such  
20 services originate in one state and terminate in  
21 another state, territory, or foreign country;



1 provided that all charges for mobile  
2 telecommunications services which are billed by  
3 or for the home service provider are deemed to be  
4 provided by the home service provider at the  
5 customer's place of primary use, regardless of  
6 where the mobile telecommunications originate,  
7 terminate, or pass through; provided further that  
8 the income from charges specifically derived from  
9 interstate or foreign mobile telecommunications  
10 services, as determined by books and records that  
11 are kept in the regular course of business by the  
12 home service provider in accordance with section  
13 239-24, shall be apportioned under any  
14 apportionment factor or formula adopted under  
15 subparagraph (C). Gross income shall not  
16 include:

- 17 (i) Gross receipts from mobile  
18 telecommunications services provided to a  
19 customer with a place of primary use outside  
20 this State;



1           (ii) Gross receipts from mobile  
2           telecommunications services that are subject  
3           to the tax imposed by chapter 239;

4           (iii) Gross receipts from mobile  
5           telecommunications services taxed under  
6           section 237-13.8; and

7           (iv) Gross receipts of a home service provider  
8           acting as a serving carrier providing mobile  
9           telecommunications services to another home  
10          service provider's customer.

11          For the purposes of this paragraph, "charges for  
12          mobile telecommunications services", "customer",  
13          "home service provider", "mobile  
14          telecommunications services", "place of primary  
15          use", and "serving carrier" have the same meaning  
16          as in section 239-22.

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



- 1           (8) Tax on receipts of sugar benefit payments. Upon the  
2           amounts received from the United States government by  
3           any producer of sugar (or the producer's legal  
4           representative or heirs), as defined under and by  
5           virtue of the Sugar Act of 1948, as amended, or other  
6           Acts of the Congress of the United States relating  
7           thereto, there is hereby levied a tax of one-half of  
8           one per cent of the gross amount received; provided  
9           that the tax levied hereunder on any amount so  
10          received and actually disbursed to another by a  
11          producer in the form of a benefit payment shall be  
12          paid by the person or persons to whom the amount is  
13          actually disbursed, and the producer actually making a  
14          benefit payment to another shall be entitled to claim  
15          on the producer's return a deduction from the gross  
16          amount taxable hereunder in the sum of the amount so  
17          disbursed. The amounts taxed under this paragraph  
18          shall not be taxable under any other paragraph,  
19          subsection, or section of this chapter.
- 20          (9) Tax on other business. Upon every person engaging or  
21          continuing within the State in any business, trade,



1 activity, occupation, or calling not included in the  
2 preceding paragraphs or any other provisions of this  
3 chapter, there is likewise hereby levied and shall be  
4 assessed and collected, a tax equal to four and one-  
5 half per cent of the gross income thereof. In  
6 addition, the rate prescribed by this paragraph shall  
7 apply to a business taxable under one or more of the  
8 preceding paragraphs or other provisions of this  
9 chapter, as to any gross income thereof not taxed  
10 thereunder as gross income or gross proceeds of sales  
11 or by taxing an equivalent value of products, unless  
12 specifically exempted."

13 SECTION 18. Section 237-15, Hawaii Revised Statutes, is  
14 amended to read as follows:

15 "**§237-15 Technicians.** When technicians supply dentists or  
16 physicians with dentures, orthodontic devices, braces, and  
17 similar items which have been prepared by the technician in  
18 accordance with specifications furnished by the dentist or  
19 physician, and such items are to be used by the dentist or  
20 physician in the dentist's or physician's professional practice  
21 for a particular patient who is to pay the dentist or physician



1 for the same as a part of the dentist's or physician's  
2 professional services, the technician shall be taxed as though  
3 the technician were a manufacturer selling a product to a  
4 licensed retailer, rather than at the rate of four and one-half  
5 per cent which is generally applied to professions and  
6 services."

7 SECTION 19. Section 237-16.5, Hawaii Revised Statutes, is  
8 amended as follows:

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

10 "(a) This section relates to the leasing of real property  
11 by a lessor to a lessee. There is hereby levied, and shall be  
12 assessed and collected annually, a privilege tax against persons  
13 engaging or continuing within the State in the business of  
14 leasing real property to another, equal to four and one-half per  
15 cent of the gross proceeds or gross income received or derived  
16 from the leasing; provided that where real property is subleased  
17 by a lessee to a sublessee, the lessee, as provided in this  
18 section, shall be allowed a deduction from the amount of gross  
19 proceeds or gross income received from its sublease of the real  
20 property. The deduction shall be in the amount allowed under  
21 this section.



1 All deductions under this section and the name and general  
2 excise tax number of the lessee's lessor shall be reported on  
3 the general excise tax return. Any deduction allowed under this  
4 section shall only be allowed with respect to leases and  
5 subleases in writing and relating to the same real property."

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

7 "(f) This section shall not cause the tax upon a lessor,  
8 with respect to any item of the lessor's gross proceeds or gross  
9 income, to exceed four and one-half per cent."

10 SECTION 20. Section 237-18, Hawaii Revised Statutes, is  
11 amended by amending subsection (f) to read as follows:

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

18 As used in this subsection "tourism related services" means  
19 catamaran cruises, canoe rides, dinner cruises, lei greetings,  
20 transportation included in a tour package, sightseeing tours not  
21 subject to chapter 239, admissions to luaus, dinner shows,



1 extravaganzas, cultural and educational facilities, and other  
2 services rendered directly to the customer or tourist, but only  
3 if the providers of the services other than air transportation  
4 are subject to a four and one-half per cent tax under this  
5 chapter or chapter 239."

6 SECTION 21. Section 237-31, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 "**§237-31 Remittances.** (a) All remittances of taxes  
9 imposed by this chapter shall be made by money, bank draft,  
10 check, cashier's check, money order, or certificate of deposit  
11 to the office of the department of taxation to which the return  
12 was transmitted.

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

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





1 (2) A sum from all general excise tax revenues realized by  
 2 the State that is equal to one-half of the total  
 3 amount of funds appropriated or transferred out of the  
 4 hurricane reserve trust fund under sections 4 and 5 of  
 5 Act 62, Session Laws of Hawaii 2011, shall be  
 6 deposited into the hurricane reserve trust fund in  
 7 fiscal year 2013-2014 and in fiscal year 2014-2015;  
 8 provided that the deposit required in each fiscal year  
 9 shall be made by October 1 of that fiscal year; and

10 [+](3) [+](3) Commencing with fiscal year 2018-2019, a sum from all  
 11 general excise tax revenues realized by the State that  
 12 represents the difference between the state public  
 13 employer's annual required contribution for the  
 14 separate trust fund established under section 87A-42  
 15 and the amount of the state public employer's  
 16 contributions into that trust fund shall be deposited  
 17 to the credit of the State's annual required  
 18 contribution into that trust fund in each fiscal year,  
 19 as provided in section 87A-42.

20 (c) Beginning on January 1, 2019, the additional revenues  
 21 generated by the increase in general excise tax and use tax



1 pursuant to Act \_\_\_\_\_, Session Laws of Hawaii 2017, shall be  
2 deposited into a special account in the general fund and shall  
3 be distributed as follows:

4 (1) Between January 1, 2019, and \_\_\_\_\_,  
5 \$ \_\_\_\_\_ shall be transferred on a quarterly basis  
6 to the director of finance of a county that has  
7 adopted a surcharge on state tax pursuant to Act 247,  
8 Session Laws of Hawaii 2005, as amended by Act 240,  
9 Session Laws of Hawaii 2015; provided that the funds  
10 shall only be transferred if the county provides  
11 matching funds in the amount of one-half of the state  
12 funds to be transferred; provided further that the  
13 transferred funds shall only be used by the county for  
14 purposes of section 46-16.8(e), as that section read  
15 on the date prior to the effective date of this Act;  
16 provided further that any county receiving funds under  
17 this section shall submit a report to the legislature  
18 twenty days prior to the convening of each regular  
19 session on how the transferred funds were expended and  
20 the progress of the county in meeting the requirements



1 of section 46-16.8(e), as that section read on the  
2 date prior to the effective date of this Act;

3 (2) Between January 1, 2019, and \_\_\_\_\_,  
4 \$ \_\_\_\_\_ shall be expended for the purposes of  
5 education; highway and road construction, maintenance,  
6 and repair; affordable housing; and programs and  
7 services for the elderly; and

8 (3) Beginning on \_\_\_\_\_, one hundred per cent of  
9 the additional revenues shall be used for the purposes  
10 of paragraph (2)."

11 SECTION 22. Section 238-2, Hawaii Revised Statutes, is  
12 amended to read as follows:

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



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

3 (A) A wholesaler or jobber importing or purchasing  
4 for purposes of sale or resale; or

5 (B) A manufacturer importing or purchasing material  
6 or commodities which are to be incorporated by  
7 the manufacturer into a finished or saleable  
8 product (including the container or package in  
9 which the product is contained) wherein it will  
10 remain in such form as to be perceptible to the  
11 senses, and which finished or saleable product is  
12 to be sold in such manner as to result in a  
13 further tax on the activity of the manufacturer  
14 as the manufacturer or as a wholesaler, and not  
15 as a retailer,

16 there shall be no tax; provided that if the  
17 wholesaler, jobber, or manufacturer is also engaged in  
18 business as a retailer (so classed under chapter 237),  
19 paragraph (2) shall apply to the wholesaler, jobber,  
20 or manufacturer, but the director of taxation shall  
21 refund to the wholesaler, jobber, or manufacturer, in



1 the manner provided under section 231-23(c) such  
2 amount of tax as the wholesaler, jobber, or  
3 manufacturer shall, to the satisfaction of the  
4 director, establish to have been paid by the  
5 wholesaler, jobber, or manufacturer to the director  
6 with respect to property which has been used by the  
7 wholesaler, jobber, or manufacturer for the purposes  
8 stated in this paragraph;

9 (2) If the importer or purchaser is licensed under chapter  
10 237 and is:

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

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



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



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

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

14 (3) In all other cases, four and one-half per cent of the  
15 value of the property.

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



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

6 SECTION 23. Section 238-2.3, Hawaii Revised Statutes, is  
7 amended to read as follows:

8 **"§238-2.3 Imposition of tax on imported services or**  
9 **contracting; exemptions.** There is hereby levied an excise tax  
10 on the value of services or contracting as defined in section  
11 237-6 that are performed by an unlicensed seller at a point  
12 outside the State and imported or purchased for use in this  
13 State. The tax imposed by this chapter shall accrue when the  
14 service or contracting as defined in section 237-6 is received  
15 by the importer or purchaser and becomes subject to the taxing  
16 jurisdiction of the State. The rates of the tax hereby imposed  
17 and the exemptions from the tax are as follows:

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

20 (A) Engaged in a service business or calling in which  
21 the imported or purchased services or contracting





1           become identifiable elements, excluding overhead,  
2           of the services rendered by the importer or  
3           purchaser, and the gross income of the importer  
4           or purchaser is subject to the tax imposed under  
5           chapter 237 on services at the rate of one-half  
6           of one per cent;

7           (B) A manufacturer importing or purchasing services  
8           or contracting that become identifiable elements,  
9           excluding overhead, of a finished or saleable  
10          product (including the container or package in  
11          which the product is contained) and the finished  
12          or saleable product is to be sold in a manner  
13          that results in a further tax on the manufacturer  
14          as a wholesaler, and not a retailer; or

15          (C) A contractor importing or purchasing contracting  
16          that become identifiable elements, excluding  
17          overhead, of the finished work or project  
18          required under the contract; provided that:

19               (i) The gross proceeds derived by the contractor  
20               are subject to the tax under section  
21               237-13(3) as a contractor; and



1 (ii) The contractor could have deducted amounts  
2 paid to the subcontractor under section  
3 237-13(3)(B) if the subcontractor was  
4 subject to general excise tax under chapter  
5 237;

6 there shall be no tax imposed on the value of the  
7 imported or purchased services or contracting;  
8 provided that if the manufacturer is also engaged in  
9 business as a retailer as classified under chapter  
10 237, paragraph (2) shall apply to the manufacturer,  
11 but the director of taxation shall refund to the  
12 manufacturer, in the manner provided under section  
13 231-23(c), that amount of tax that the manufacturer,  
14 to the satisfaction of the director, shall establish  
15 to have been paid by the manufacturer to the director  
16 with respect to services that have been used by the  
17 manufacturer for the purposes stated in this  
18 paragraph.

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



- 1 (A) Engaged in a service business or calling in which  
2 the imported or purchased services or contracting  
3 become identifiable elements, excluding overhead,  
4 of the services rendered by the importer or  
5 purchaser, and the gross income from those  
6 services when sold by the importer or purchaser  
7 is subject to the tax imposed under chapter 237  
8 at the highest rate;
- 9 (B) A manufacturer importing or purchasing services  
10 or contracting that become identifiable elements,  
11 excluding overhead, of the finished or saleable  
12 manufactured product (including the container or  
13 package in which the product is contained) and  
14 the finished or saleable product is to be sold in  
15 a manner that results in a further tax under  
16 chapter 237 on the activity of the manufacturer  
17 as a retailer; or
- 18 (C) A contractor importing or purchasing services  
19 that become identifiable elements, excluding  
20 overhead, of the finished work or project  
21 required, under the contract, and where the gross



1                   proceeds derived by the contractor are subject to  
2                   the tax under section 237-13(3) as a contractor,  
3                   the tax shall be one-half of one per cent of the value  
4                   of the imported or purchased services or contracting;  
5                   and

6                   (3) In all other cases, the importer or purchaser is  
7                   subject to the tax at the rate of four and one-half  
8                   per cent on the value of the imported or purchased  
9                   services or contracting."

10                  SECTION 24. Act 247, Session Laws of Hawaii 2005, as  
11                  amended by section 7 of Act 240, Session Laws of Hawaii 2015, is  
12                  amended by amending section 9 to read as follows:

13                  "SECTION 9. This Act shall take effect upon its approval;  
14                  provided that:

15                  (1) If none of the counties of the State adopt an  
16                  ordinance to levy a county surcharge on state tax by  
17                  December 31, 2005, this Act shall be repealed and  
18                  section 437D-8.4, Hawaii Revised Statutes, shall be  
19                  reenacted in the form in which it read on the day  
20                  prior to the effective date of this Act;

1 (2) If any county does not adopt an ordinance to levy a  
 2 county surcharge on state tax by December 31, 2005, it  
 3 shall be prohibited from adopting such an ordinance  
 4 pursuant to this Act, unless otherwise authorized by  
 5 the legislature through a separate legislative act;  
 6 and

7 (3) If an ordinance to levy a county surcharge on state  
 8 tax is adopted [~~by December 31, 2005;~~] or extended:

9 (A) The ordinance shall be repealed on [~~December 31,~~  
 10 ~~2022;~~ provided that the repeal of the ordinance  
 11 shall not affect the validity or effect of an  
 12 ordinance to extend a surcharge on state tax  
 13 adopted pursuant to Act \_\_\_\_\_, Session Laws of  
 14 Hawaii 2015;] January 1, 2019;

15 (B) This Act shall be repealed on [~~December 31,~~  
 16 ~~2027;~~] January 1, 2019; and

17 (C) Section 437D-8.4, Hawaii Revised Statutes, shall  
 18 be reenacted in the form in which it read on the  
 19 day prior to the effective date of this Act;  
 20 provided that the amendments made to section  
 21 437D-8.4, Hawaii Revised Statutes, by Act 226,



1                    Session Laws of Hawaii 2008, as amended by Act  
 2                    11, Session Laws of Hawaii 2009, and Act 110,  
 3                    Session Laws of Hawaii 2014, shall not be  
 4                    repealed."

5                    **PART V**

6                    SECTION 25. The provisions of this Act shall amend any  
 7 other conflicting Act passed by the legislature during the  
 8 regular session of 2017.

9                    SECTION 26. Statutory material to be repealed is bracketed  
 10 and stricken. New statutory material is underscored.

11                    SECTION 27. This Act shall take effect on July 1, 2050;  
 12 provided that part II shall take effect on July 1, 2017;  
 13 provided further that section 4 shall apply to taxable years  
 14 beginning after December 31, 2016; provided further that if the  
 15 requirements of sections 13, 14, and 15 are met as of  
 16 December 31, 2027, then part I of this Act shall be repealed;  
 17 provided further that if the requirements of sections 13, 14,  
 18 and 15 are not met as of December 31, 2027, then parts I and III  
 19 of this Act shall be repealed on January 1, 2028; provided  
 20 further that sections 17 to 20, 22, and 23 shall apply to  
 21 taxable years beginning after December 31, 2018.

**Report Title:**

Taxation; General Excise Tax; Counties

**Description:**

Part I: Authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity. Authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax. Provides that the State shall retain an unspecified portion of surcharge proceeds for DoTax. Requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis. Part II: Establishes an income tax credit that reduces the tax liability for low-income taxpayers if their federal adjusted gross income falls below federal poverty guidelines. Authorizes all counties to establish a surcharge on state tax prior to 7/1/2018. Makes permanent the county surcharge on state tax. Provides that the State shall retain an unspecified portion of surcharge proceeds for deposit into the state highway fund. Requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis. Specifies how county surcharges collected shall be allocated among the counties. Part III: Authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge to December 31, 2032; provided that HCDA transfers specified parcels to the city and county of Honolulu and the city and county of Honolulu meets other requirements prior to December 31, 2027. Repeals parts I and III on January 1, 2028, if the requirements are not met. Authorizes counties that have not established a surcharge on state tax by 7/1/2017 to establish a surcharge. Part IV: Increases the general excise and use tax from four per cent to four and one-half per cent. Specifies that an unspecified amount of the additional revenues shall be transferred to any county adopting a surcharge on state tax; provided that such a county matches up to half of the transferred funds. Limits the expenditures allowed by the county. Requires any county adopting a county surcharge on state tax who receives additional tax revenue to report to the legislature annually on revenues and expenditures. Specifies that an unspecified amount of the additional revenues shall be used by the state for education, department of



S.B. NO. 1183  
S.D. 1

transportation, affordable housing, and elderly programs and services purposes. Repeals the county surcharge on state tax on January 1, 2019. Effective July 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.*

