
A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

1 SECTION 1. Section 237-24.7, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "**§237-24.7 Additional amounts not taxable.** In addition to
4 the amounts not taxable under section 237-24, this chapter shall
5 not apply to:

6 (1) Amounts received by the operator of a hotel from the
7 owner of the hotel in amounts equal to and which are
8 disbursed by the operator for employee wages,
9 salaries, payroll taxes, insurance premiums, and
10 benefits, including retirement, vacation, sick pay,
11 and health benefits. As used in this paragraph:

12 "Employee" means employees directly engaged in
13 the day-to-day operation of the hotel and employed by
14 the operator.

15 "Hotel" means an operation as defined in section
16 445-90.



1 "Operator" means any person who, pursuant to a
2 written contract with the owner of a hotel, operates
3 or manages the hotel for the owner.

4 "Owner" means the fee owner or lessee under a
5 recorded lease of a hotel;

6 (2) Amounts received by the operator of a county
7 transportation system operated under an operating
8 contract with a political subdivision, where the
9 political subdivision is the owner of the county
10 transportation system. As used in this paragraph:

11 "County transportation system" means a mass
12 transit system of motorized buses providing regularly
13 scheduled transportation within a county.

14 "Operating contract" or "contract" means a
15 contract to operate and manage a political
16 subdivision's county transportation system, which
17 provides that:

18 (A) The political subdivision shall exercise
19 substantial control over all aspects of the
20 operator's operation;



- 1 (B) The political subdivision controls the
- 2 development of transit policy, service
- 3 planning, routes, and fares; and
- 4 (C) The operator develops in advance a draft
- 5 budget in the same format as prescribed for
- 6 agencies of the political subdivision. The
- 7 budget must be subject to the same
- 8 constraints and controls regarding the
- 9 lawful expenditure of public funds as any
- 10 public sector agency, and deviations from
- 11 the budget must be subject to approval by
- 12 the appropriate political subdivision
- 13 officials involved in the budgetary process.

14 "Operator" means any person who, pursuant to an
15 operating contract with a political subdivision,
16 operates or manages a county transportation system.

17 "Owner" means a political subdivision that owns
18 or is the lessee of all the properties and facilities
19 of the county transportation system (including buses,
20 real estate, parking garages, fuel pumps, maintenance
21 equipment, office supplies, etc.), and that owns all
22 revenues derived therefrom;

1 (3) Amounts received by the operator of the Hawaii
2 convention center for reimbursement of costs or
3 advances made under a contract with the Hawaii tourism
4 authority pursuant to section 201B-7(a)(7);

5 [~~3~~] (4) Surcharge taxes on rental motor vehicles imposed
6 by chapter 251 and passed on and collected by persons
7 holding certificates of registration under that
8 chapter;

9 [~~4~~] (5) Amounts received by the operator of orchard
10 properties from the owner of the orchard property in
11 amounts equal to and which are disbursed by the
12 operator for employee wages, salaries, payroll taxes,
13 insurance premiums, and benefits, including
14 retirement, vacation, sick pay, and health benefits.

15 As used in this paragraph:

16 "Employee" means an employee directly engaged in
17 the day-to-day operations of the orchard properties
18 and employed by the operator.

19 "Operator" means a producer who, pursuant to a
20 written contract with the owner of the orchard
21 property, operates or manages the orchard property for
22 the owner where the property contains an area



1 sufficient to make the undertaking economically
2 feasible.

3 "Orchard property" means any real property that
4 is used to raise trees with a production life cycle of
5 fifteen years or more producing fruits or nuts having
6 a normal period of development from the initial
7 planting to the first commercially saleable harvest of
8 not less than three years.

9 "Owner" means a fee owner or lessee under a
10 recorded lease of orchard property;

11 [~~(5)~~] (6) Taxes on nursing facility income imposed by
12 chapter 346E and passed on and collected by operators
13 of nursing facilities;

14 [~~(6)~~] (7) Amounts received under property and casualty
15 insurance policies for damage or loss of inventory
16 used in the conduct of a trade or business located
17 within the State or a portion thereof that is declared
18 a natural disaster area by the governor pursuant to
19 section 209-2;

20 [~~(7)~~] (8) Amounts received as compensation by community
21 organizations, school booster clubs, and nonprofit
22 organizations under a contract with the chief election



1 officer for the provision and compensation of precinct
2 officials and other election-related personnel,
3 services, and activities, pursuant to section 11-5;

4 [~~+8~~] (9) Interest received by a person domiciled outside
5 the State from a trust company (as defined in section
6 412:8-101) acting as payment agent or trustee on
7 behalf of the issuer or payees of an interest bearing
8 instrument or obligation, if the interest would not
9 have been subject to tax under this chapter if paid
10 directly to the person domiciled outside the State
11 without the use of a paying agent or trustee; provided
12 that if the interest would otherwise be taxable under
13 this chapter if paid directly to the person domiciled
14 outside the State, it shall not be exempt solely
15 because of the use of a Hawaii trust company as a
16 paying agent or trustee;

17 [~~+9~~] (10) Amounts received by a management company from
18 related entities engaged in the business of selling
19 interstate or foreign common carrier
20 telecommunications services in amounts equal to and
21 which are disbursed by the management company for
22 employee wages, salaries, payroll taxes, insurance



1 premiums, and benefits, including retirement,
2 vacation, sick pay, and health benefits. As used in
3 this paragraph:

4 "Employee" means employees directly engaged in
5 the day-to-day operation of related entities engaged
6 in the business of selling interstate or foreign
7 common carrier telecommunications services and
8 employed by the management company.

9 "Management company" means any person who,
10 pursuant to a written contract with a related entity
11 engaged in the business of selling interstate or
12 foreign common carrier telecommunications services,
13 provides managerial or operational services to that
14 entity.

15 "Related entities" means:

16 (A) An affiliated group of corporations within
17 the meaning of section 1504 (with respect to
18 affiliated group defined) of the federal
19 Internal Revenue Code of 1986, as amended;

20 (B) A controlled group of corporations within
21 the meaning of section 1563 (with respect to
22 definitions and special rules) of the



1 federal Internal Revenue Code of 1986, as
2 amended;

3 (C) Those entities connected through ownership
4 of at least eighty per cent of the total
5 value and at least eighty per cent of the
6 total voting power of each such entity (or
7 combination thereof), including
8 partnerships, associations, trusts, S
9 corporations, nonprofit corporations,
10 limited liability partnerships, or limited
11 liability companies; and

12 (D) Any group or combination of the entities
13 described in paragraph (C) constituting a
14 unitary business for income tax purposes;
15 whether or not the entity is located within or without
16 the State or licensed under this chapter; and

17 [~~10~~] (11) Amounts received as grants under section 206M-
18 15."

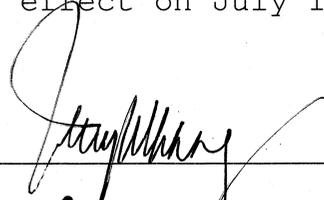
19 SECTION 2. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



1 SECTION 3. This Act shall take effect on July 1, 2006.

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INTRODUCED BY:



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Report Title:

GET; Hawaii Convention Center; Hawaii Tourism Authority

Description:

Exempts from the general excise tax, amounts received by the operator of the Hawaii Convention Center for reimbursement of costs or advances made under an operating contract with the Hawaii Tourism Authority.

