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## A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. Section 237-17, Hawaii Revised Statutes, is  
2 amended to read as follows:  
3           "**§237-17 Persons with impaired sight, hearing, or who are**  
4 **totally disabled.** Anything in section 237-13 to the contrary  
5 notwithstanding, the privilege tax levied, assessed, and  
6 collected on account of the business or other activities of  
7 individuals who are blind, deaf, or totally disabled,  
8 corporations all of whose outstanding shares are owned by  
9 individuals who are blind, deaf, or totally disabled, general,  
10 limited, or limited liability partnerships, all of whose  
11 partners are blind, deaf, or totally disabled, [~~or~~] limited  
12 liability companies, all of whose members are blind, deaf, or  
13 totally disabled, or trusts with a sole beneficiary who is  
14 blind, deaf, or totally disabled, shall not exceed one-half of  
15 one per cent of the proceeds, sales, income, or other receipts  
16 subject to tax. For the purpose of this chapter "blind",  
17 "deaf", "totally disabled" is defined as in section 235-1. The



1 impairment of sight or hearing, or the disability, shall be  
2 certified to as provided in section 235-1."

3 SECTION 2. Section 237-24, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "**§237-24 Amounts not taxable.** This chapter shall not  
6 apply to the following amounts:

- 7 (1) Amounts received under life insurance policies and  
8 contracts paid by reason of the death of the insured;
- 9 (2) Amounts received (other than amounts paid by reason of  
10 death of the insured) under life insurance, endowment,  
11 or annuity contracts, either during the term or at  
12 maturity or upon surrender of the contract;
- 13 (3) Amounts received under any accident insurance or  
14 health insurance policy or contract or under workers'  
15 compensation acts or employers' liability acts, as  
16 compensation for personal injuries, death, or  
17 sickness, including also the amount of any damages or  
18 other compensation received, whether as a result of  
19 action or by private agreement between the parties on  
20 account of the personal injuries, death, or sickness;



- 1           (4) The value of all property of every kind and sort
- 2                    acquired by gift, bequest, or devise, and the value of
- 3                    all property acquired by descent or inheritance;
- 4           (5) Amounts received by any person as compensatory damages
- 5                    for any tort injury to the person, or to the person's
- 6                    character reputation, or received as compensatory
- 7                    damages for any tort injury to or destruction of
- 8                    property, whether as the result of action or by
- 9                    private agreement between the parties (provided that
- 10                    amounts received as punitive damages for tort injury
- 11                    or breach of contract injury shall be included in
- 12                    gross income);
- 13           (6) Amounts received as salaries or wages for services
- 14                    rendered by an employee to an employer;
- 15           (7) Amounts received as alimony and other similar payments
- 16                    and settlements;
- 17           (8) Amounts collected by distributors as fuel taxes on
- 18                    "liquid fuel" imposed by chapter 243, and the amounts
- 19                    collected by such distributors as a fuel tax imposed
- 20                    by any Act of the Congress of the United States;
- 21           (9) Taxes on liquor imposed by chapter 244D on dealers
- 22                    holding permits under that chapter;



- 1           (10) The amounts of taxes on cigarettes and tobacco  
2                   products imposed by chapter 245 on wholesalers or  
3                   dealers holding licenses under that chapter and  
4                   selling the products at wholesale;
- 5           (11) Federal excise taxes imposed on articles sold at  
6                   retail and collected from the purchasers thereof and  
7                   paid to the federal government by the retailer;
- 8           (12) The amounts of federal taxes under chapter 37 of the  
9                   Internal Revenue Code, or similar federal taxes,  
10                  imposed on sugar manufactured in the State, paid by  
11                  the manufacturer to the federal government;
- 12          (13) An amount up to, but not in excess of, \$2,000 a year  
13                  of gross income received by [any]:
- 14                  (A) Any blind, deaf, or totally disabled person  
15                          engaging, or continuing, in any business, trade,  
16                          activity, occupation, or calling within the  
17                          State; [a]
- 18                  (B) A corporation all of whose outstanding shares are  
19                          owned by an individual or individuals who are  
20                          blind, deaf, or totally disabled; [a]



- 1           (C)   A general, limited, or limited liability
- 2                           partnership, all of whose partners are blind,
- 3                           deaf, or totally disabled; [~~or a~~]
- 4           (D)   A limited liability company, all of whose members
- 5                           are blind, deaf, or totally disabled; or
- 6           (E)   A trust with a sole beneficiary who is blind,
- 7                           deaf, or totally disabled;

8           (14) Amounts received by a producer of sugarcane from the

9                           manufacturer to whom the producer sells the sugarcane,

10                          where:

11           (A) The producer is an independent cane farmer, so

12                           classed by the Secretary of Agriculture under the

13                           Sugar Act of 1948 (61 Stat. 922, Chapter 519) as

14                           the Act may be amended or supplemented;

15           (B) The value or gross proceeds of sale of the sugar,

16                           and other products manufactured from the

17                           sugarcane, is included in the measure of the tax

18                           levied on the manufacturer under section 237-

19                           13(1) or (2);

20           (C) The producer's gross proceeds of sales are

21                           dependent upon the actual value of the products

22                           manufactured therefrom or the average value of



1                   all similar products manufactured by the  
2                   manufacturer; and  
3           (D)   The producer's gross proceeds of sales are  
4                   reduced by reason of the tax on the value or sale  
5                   of the manufactured products;  
6    (15) Money paid by the State or eleemosynary child-placing  
7           organizations to foster parents for their care of  
8           children in foster homes; and  
9    (16) Amounts received by a cooperative housing corporation  
10           from its shareholders in reimbursement of funds paid  
11           by such corporation for lease rental, real property  
12           taxes, and other expenses of operating and maintaining  
13           the cooperative land and improvements; provided that  
14           such a cooperative corporation is a corporation:  
15           (A)   Having one and only one class of stock  
16                   outstanding;  
17           (B)   Each of the stockholders of which is entitled  
18                   solely by reason of the stockholder's ownership  
19                   of stock in the corporation, to occupy for  
20                   dwelling purposes a house, or an apartment in a  
21                   building owned or leased by the corporation; and



1 (C) No stockholder of which is entitled (either  
 2 conditionally or unconditionally) to receive any  
 3 distribution not out of earnings and profits of  
 4 the corporation except in a complete or partial  
 5 liquidation of the corporation."

6 SECTION 3. Statutory material to be repealed is bracketed  
 7 and stricken. New statutory material is underscored.

8 SECTION 4. This Act shall take effect upon its approval  
 9 and shall apply to taxable years beginning after December 31,  
 10 2006.

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INTRODUCED BY:

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**Report Title:**

General Excise Tax; Blind, Deaf, and Disabled

**Description:**

Exempts from the general excise tax, up to \$2,000 of income from trusts whose sole beneficiaries are blind, deaf, or disabled and taxes any additional income from the trusts at a 1/2% tax rate.

