

A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. The purpose of this Act is to temporarily suspend the general excise tax exemptions for certain amounts received by certain persons and, instead, require those persons to pay the applicable tax on those amounts at a one-half of one per cent rate. The suspension and imposition of the tax commences on July 1, 2010, and ends on June 30, 2015.

SECTION 2. Chapter 237, Hawaii Revised Statutes, is amended by adding two new sections to be appropriately designated and to read as follows:

"§237-A Temporary suspension of exemption of certain amounts; levy of tax at one-half of one per cent rate. (a) Notwithstanding any other law to the contrary, the exemption of the following amounts from taxation under this chapter shall be suspended from July 1, 2010, through June 30, 2015:

- (1) Reimbursements received by federal cost-plus contractors for the costs of purchased materials, plant, and equipment as described under section 237-13(3)(C);



- 1 (2) Gross receipts of home service providers acting as
2 service carriers providing mobile telecommunication
3 services to other home service providers as described
4 under section 237-13(6)(D);
- 5 (3) Amounts deducted from the gross income of real
6 property lessees because of receipt from sublessees as
7 described under section 237-16.5;
- 8 (4) Amounts received, charged, or attributable to services
9 furnished by related entities or the imputed or stated
10 interests of related entities as described under
11 section 237-23.5(a);
- 12 (5) Amounts received by sugarcane producers as described
13 under section 237-24(14);
- 14 (6) Gross proceeds received from the sale of tangible
15 personal property to the United States and state-
16 chartered credit unions as described under section
17 237-25(a)(3);
- 18 (7) Amounts received by petroleum product refiners from
19 other refiners for further refining of petroleum
20 products as described under section 237-27;
- 21 (8) Gross proceeds received from the construction,
22 reconstruction, erection, operation, use, maintenance,



1 or furnishing of air pollution control facilities, as
2 described under section 237-27.5, that do not have
3 valid certificates of exemption on July 1, 2010;

4 (9) The value of or gross proceeds received from tangible
5 personal property shipped out of the state as
6 described under section 237-29.5;

7 (10) The value of or gross income received from contracting
8 or services performed for use outside the state as
9 described under section 237-29.53;

10 (11) Gross proceeds or gross income received from the sale
11 of tangible personal property imported for subsequent
12 resale at wholesale as described under section 237-
13 29.55;

14 (12) Amounts received by telecommunications common carriers
15 from call center operators for interstate or foreign
16 telecommunications services as described under section
17 237-29.8; and

18 (13) Gross proceeds received by qualified businesses in
19 enterprise zones, as described under section 209E-11,
20 that do not have valid certificates of qualification
21 from the department of business, economic development,
22 and tourism on July 1, 2010.



1 (b) Except as otherwise provided under subsection (d),
2 there is levied, assessed, and collected annually against the
3 persons under subsection (a), a tax at the rate of one-half of
4 one per cent on the previously exempt gross income or gross
5 proceeds of sale.

6 As used in this section, "previously exempt gross income or
7 gross proceeds of sale" means the amount of the gross income or
8 gross proceeds of sale, the exemption for which is suspended
9 under subsection (a). The term also includes the following:

10 (1) The value of tangible personal property shipped out of
11 the state, the exemption for which is suspended under
12 subsection (a) (9); and

13 (2) The value of contracting or services performed for use
14 outside the state, the exemption for which is
15 suspended under subsection (a) (10).

16 The persons exempted under subsection (a), against whom the
17 tax is levied and assessed under this section, shall be
18 responsible for payment of the tax to the director of taxation.

19 (c) Notwithstanding section 237-8.6, no county surcharge
20 shall be levied, assessed, or collected on any previously exempt
21 gross income or gross proceeds of sale that is subject to
22 taxation under subsection (b).



1 (d) This section shall not apply to gross income or gross
2 proceeds from binding written contracts entered into prior to
3 July 1, 2010, that do not permit the passing on of increased
4 rates of taxes.

5 (e) The provisions of this chapter shall apply to the
6 payment, collection, enforcement, and appeal of the tax levied
7 under this section.

8 The director of taxation may establish additional
9 requirements, procedures, and forms pursuant to rules adopted
10 under chapter 91, to effectuate this section.

11 §237-B Information reporting. The director shall require
12 information reporting on all exclusions or exemptions of all
13 amounts, persons, or transactions from this chapter, except for
14 the following:

15 (1) Amounts received that are exempt under section 237-

16 24(1) through (7);

17 (2) Amounts received by persons exempt under section 237-

18 23(a)(3) through (6); provided that such person is

19 exempt from filing federal Internal Revenue Service

20 Form 990 or Form 990-EZ; and



1 (3) Any other amounts, persons, or transactions as
2 determined by the director in the best interest of tax
3 administration and made by official pronouncement."

4 SECTION 3. In codifying the new sections added by section
5 2 of this Act, the revisor of statutes shall substitute
6 appropriate section numbers for the letters used in designating
7 the new sections in this Act.

8 SECTION 4. New statutory material is underscored.

9 SECTION 5. This Act shall take effect on July 1, 2010, and
10 shall be repealed on June 30, 2015; provided that:

11 (1) The department of taxation shall have the authority to
12 postpone the payment of the tax imposed under this Act
13 until the deadline to file the general excise or use
14 tax annual return and reconciliation form, as
15 applicable, without regard to any extension; and

16 (2) Section 2 of this Act suspending an exemption of
17 section 237-24(14), Hawaii Revised Statutes, shall not
18 be repealed when that section is reenacted on December
19 31, 2013, pursuant to Act 70, Session Laws of Hawaii
20 2009.



Report Title:

General Excise Taxes; Temporary Suspension; Exemption for
Certain Persons and Gross Amounts

Description:

Suspends temporarily the exemptions for certain persons and certain amounts of gross income or proceeds from the general excise tax and requires the payment of the tax at a one-half of one per cent rate. Effective July 1, 2010, and sunsets on June 30, 2015.

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

