
A BILL FOR AN ACT

RELATING TO STATE FUNDS.

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

1 SECTION 1. Chapter 237, Hawaii Revised Statutes, is
2 amended by adding two new sections to be appropriately
3 designated and to read as follows:

4 "§237- Temporary suspension of exemption of certain
5 amounts; levy of tax. (a) Notwithstanding any other law to the
6 contrary, the exemption of the following amounts from taxation
7 under this chapter shall be suspended from January 1, 2022,
8 through December 31, 2023:

9 (1) Reimbursements received by federal cost-plus
10 contractors for the costs of purchased materials,
11 plant, and equipment as described under section
12 237-13(3)(C);

13 (2) Gross receipts of home service providers acting as
14 service carriers providing mobile telecommunications
15 services to other home service providers as described
16 under section 237-13(6)(D);



- 1 (3) Amounts deducted from the gross income of real
- 2 property lessees because of receipt from sublessees as
- 3 described under section 237-16.5;
- 4 (4) Amounts received by sugarcane producers as described
- 5 under section 237-24(14);
- 6 (5) Amounts received by exchanges and exchange members as
- 7 described under section 237-24.5;
- 8 (6) Gross proceeds from the sale of the following:
- 9 (A) Intoxicating liquor, as described under section
- 10 237-25(a)(1), to the United States (including any
- 11 agency or instrumentality of the United States
- 12 that is wholly owned or otherwise so constituted
- 13 as to be immune from the levy of a tax under
- 14 chapter 238 or 244D, but not including national
- 15 banks) or any organization to which the sale is
- 16 permitted by the proviso of "Class 3" of section
- 17 281-31 that is located on any Army, Navy, or Air
- 18 Force reservation;
- 19 (B) Tobacco products and cigarettes, as described
- 20 under section 237-25(a)(2), to the United States
- 21 (including any agency or instrumentality thereof



1 that is wholly owned or otherwise so constituted
2 as to be immune from the levy of tax under
3 chapter 238 or 245, but not including national
4 banks); and
5 (C) Other tangible personal property, as described
6 under section 237-25(a)(3), to the United States
7 (including any agency, instrumentality, or
8 federal credit union thereof, but not including
9 national banks) and any state-chartered credit
10 union;
11 (7) Gross proceeds received from the construction,
12 reconstruction, erection, operation, use, maintenance,
13 or furnishing of air pollution control facilities, as
14 described under section 237-27.5, that do not have
15 valid certificates of exemption on July 1, 2021; and
16 (8) Amounts received by telecommunications common carriers
17 from call center operators for interstate or foreign
18 telecommunications services as described under section
19 237-29.8.
20 (b) Except as otherwise provided under subsection (e),
21 (f), or (g), there is levied, assessed, and collected annually



1 against a taxpayer receiving or deriving previously exempt gross
2 income or gross proceeds of sale from January 1, 2022, to
3 December 31, 2023, a tax at the rate of four per cent on that
4 previously exempt gross income or gross proceeds of sale.

5 (c) The taxpayer against whom the tax is levied and
6 assessed under this section shall be responsible for payment of
7 the tax to the director of taxation.

8 (d) Notwithstanding section 237-8.6, no county surcharge
9 shall be levied, assessed, or collected on any previously exempt
10 gross income or gross proceeds of sale that is subject to
11 taxation under subsection (b).

12 (e) This section shall not apply to gross income or gross
13 proceeds from binding written contracts entered into prior to
14 July 1, 2021, that do not permit the passing on of increased
15 rates of taxes.

16 (f) This section shall not apply to gross income or gross
17 proceeds from stevedoring services and related services, as
18 defined in section 382-1, furnished to a company by its wholly
19 owned subsidiary.

20 (g) The tax imposed under subsection (b) shall not apply
21 to any gross income or gross proceeds of sale that cannot



1 legally be so taxed under the Constitution or laws of the United
2 States, but only so long as, and only to the extent, to which
3 the State is without power to impose the tax.

4 To the extent that any exemption, exclusion, or
5 apportionment is necessary to comply with the preceding
6 sentence, the director of taxation shall:

7 (1) Exempt or exclude the gross income or gross proceeds
8 of sale from the tax under subsection (b); or

9 (2) Apportion the gross income or gross proceeds of sale
10 derived within the State by persons engaged in
11 business both within and without the State to
12 determine the gross income or gross proceeds of sale
13 that is subject to taxation under this chapter for the
14 purposes of section 237-21.

15 (h) This chapter shall apply to the payment, collection,
16 enforcement, and appeal of the tax levied under this section.

17 (i) The director of taxation may establish additional
18 requirements, procedures, and forms pursuant to rules adopted
19 under chapter 91 to effectuate this section.

20 (j) As used in this section, "previously exempt gross
21 income or gross proceeds of sale" means the amount of the gross



1 income or gross proceeds of sale the exemption for which is
2 suspended under subsection (a).

3 **§237- Information reporting.** Beginning January 1,
4 2022, the director of taxation shall require information
5 reporting on all exclusions or exemptions of all amounts,
6 persons, or transactions from this chapter, except for the
7 following:

- 8 (1) Amounts received that are exempt under section
- 9 237-24(1) through (7); and
- 10 (2) Any other amounts, persons, or transactions as
- 11 determined by the director to be in the best interest
- 12 of tax administration and made by official
- 13 pronouncement."

14 SECTION 2. Chapter 238, Hawaii Revised Statutes, is
15 amended by adding two new sections to be appropriately
16 designated and to read as follows:

17 **"§238- Temporary suspension of exemption of certain**
18 **amounts; levy of tax.** (a) Notwithstanding any other law to the
19 contrary, the exemption of the following from taxation under
20 this chapter shall be suspended from January 1, 2022, through
21 December 31, 2023:



- 1 (1) The use or sale of intoxicating liquor and cigarettes
2 and tobacco products imported into the State and sold
3 to any person or common carrier in interstate
4 commerce, whether ocean-going or air, for consumption
5 out of State by the person, crew, or passengers on the
6 shipper's vessels or airplanes, as described under
7 section 238-3(g);
- 8 (2) The use of any vessel constructed under section 189-25
9 prior to July 1, 1969, as described under section
10 238-3(h); and
- 11 (3) The use of any air pollution control facility subject
12 to section 237-27.5 as described under section
13 238-3(k).
- 14 (b) Except as otherwise provided under subsection (e) or
15 (f), there is levied, assessed, and collected annually against a
16 taxpayer who imports or purchases previously exempt property,
17 services, or contracting for use in this State that becomes
18 subject to the State's taxing jurisdiction from January 1, 2022,
19 to December 31, 2023, a tax at the rate of four per cent on the
20 value of that previously exempt property, services, or
21 contracting.



1 (c) The taxpayer against whom the tax is levied and
2 assessed under this section shall be responsible for payment of
3 the tax to the director of taxation.

4 (d) Notwithstanding section 238-2.6, no county surcharge
5 shall be levied, assessed, or collected on the value of any
6 previously exempt property, services, or contracting that is
7 subject to taxation under subsection (b).

8 (e) This section shall not apply to any property,
9 services, or contracting imported or purchased under binding
10 written contracts entered into prior to July 1, 2021, that do
11 not permit the passing on of increased rates of taxes.

12 (f) The tax imposed under subsection (b) shall not apply
13 to any property, services, or contracting or to any use of the
14 property, services, or contracting that cannot legally be so
15 taxed under the Constitution or laws of the United States, but
16 only so long as, and only to the extent to which, the State is
17 without power to impose the tax.

18 To the extent that any exemption, exclusion, or
19 apportionment is necessary to comply with the preceding
20 sentence, the director of taxation shall:



1 (1) Exempt or exclude the property, services, or
2 contracting or the use of the property, services, or
3 contracting, from the tax under subsection (b); or

4 (2) Apportion the gross value of services or contracting
5 sold to customers within the State by persons engaged
6 in business both within and without the State to
7 determine the value of that portion of the services or
8 contracting that is subject to taxation under chapter
9 237 for the purposes of section 237-21.

10 (g) This chapter shall apply to the payment, collection,
11 enforcement, and appeal of the tax levied under this section.

12 (h) The director of taxation may establish additional
13 requirements, procedures, and forms pursuant to rules adopted
14 under chapter 91 to effectuate this section.

15 (i) As used in this section, "previously exempt property,
16 services, or contracting" means property, services, or
17 contracting, the exemption for which is suspended under
18 subsection (a).

19 §238- Information reporting. Beginning January 1,
20 2022, the director of taxation shall require information
21 reporting on all exclusions or exemptions of all amounts,



1 persons, or transactions from this chapter, except for any
2 amounts, persons, or transactions as determined by the director
3 to be in the best interest of tax administration and made by
4 official pronouncement."

5 SECTION 3. Section 247-2, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§247-2 Basis and rate of tax.** The tax imposed by section
8 247-1 shall be based on the actual and full consideration
9 (whether cash or otherwise, including any promise, act,
10 forbearance, property interest, value, gain, advantage, benefit,
11 or profit), paid or to be paid for all transfers or conveyance
12 of realty or any interest therein, that shall include any liens
13 or encumbrances thereon at the time of sale, lease, sublease,
14 assignment, transfer, or conveyance, and shall be at the
15 following rates:

16 (1) Except as provided in [~~paragraph (2):~~] paragraphs (2)
17 and (3):

18 (A) [~~Ten cents per \$100 for~~] For properties with a
19 value of less than \$600,000[+]: ten cents per
20 \$100;



1 (B) [~~Twenty cents per \$100 for~~] For properties with a
2 value of at least \$600,000, but less than
3 \$1,000,000[+]: twenty cents per \$100;

4 (C) [~~Thirty cents per \$100 for~~] For properties with a
5 value of at least \$1,000,000, but less than
6 \$2,000,000[+]: thirty cents per \$100;

7 (D) [~~Fifty cents per \$100 for~~] For properties with a
8 value of at least \$2,000,000, but less than
9 \$4,000,000[+]: fifty cents per \$100;

10 (E) [~~Seventy cents per \$100 for~~] For properties with
11 a value of at least \$4,000,000, but less than
12 \$6,000,000[+]: \$1.40 per \$100;

13 (F) [~~Ninety cents per \$100 for~~] For properties with a
14 value of at least \$6,000,000, but less than
15 \$10,000,000[+ and]: \$2.70 per \$100; and

16 (G) [~~One dollar per \$100 for~~] For properties with a
17 value of \$10,000,000 or greater[+ and]: \$4.00 per
18 \$100;

19 (2) For the sale of a condominium or single family
20 residence for which the purchaser is ineligible for a
21 county homeowner's exemption on property tax:



- 1 (A) [~~Fifteen cents per \$100 for~~] For properties with
- 2 a value of less than \$600,000[+]: fifteen cents
- 3 per \$100;
- 4 (B) [~~Twenty five cents per \$100 for~~] For properties
- 5 with a value of at least \$600,000, but less than
- 6 \$1,000,000[+]: twenty-five cents per \$100;
- 7 (C) [~~Forty cents per \$100 for~~] For properties with a
- 8 value of at least \$1,000,000, but less than
- 9 \$2,000,000[+]: forty cents per \$100;
- 10 (D) [~~Sixty cents per \$100 for~~] For properties with a
- 11 value of at least \$2,000,000, but less than
- 12 \$4,000,000[+]: sixty cents per \$100;
- 13 (E) [~~Eighty five cents per \$100 for~~] For properties
- 14 with a value of at least \$4,000,000, but less
- 15 than \$6,000,000[+]: \$1.70 per \$100;
- 16 (F) [~~One dollar and ten cents per \$100 for~~] For
- 17 properties with a value of at least \$6,000,000,
- 18 but less than \$10,000,000[+and]: \$3.30 per \$100;
- 19 and



- 1 (G) [~~One dollar and twenty five cents per \$100 for~~
2 For properties with a value of \$10,000,000 or
3 greater[-]: \$5.00 per \$100; and
- 4 (3) For the sale of commercial properties:
- 5 (A) Ten cents per \$100 for properties with a value of
6 less than \$600,000;
- 7 (B) Twenty cents per \$100 for properties with a value
8 of at least \$600,000, but less than \$1,000,000;
- 9 (C) Thirty cents per \$100 for properties with a value
10 of at least \$1,000,000, but less than \$2,000,000;
- 11 (D) Fifty cents per \$100 for properties with a value
12 of at least \$2,000,000, but less than \$4,000,000;
- 13 (E) Seventy cents per \$100 for properties with a
14 value of at least \$4,000,000, but less than
15 \$6,000,000;
- 16 (F) Ninety cents per \$100 for properties with a value
17 of at least \$6,000,000, but less than
18 \$10,000,000; and
- 19 (G) One dollar per \$100 for properties with a value
20 of \$10,000,000 or greater,



1 of such actual and full consideration; provided that in the case
 2 of a lease or sublease, this chapter shall apply only to a lease
 3 or sublease whose full unexpired term is for a period of five
 4 years or more, and in those cases, including [~~where~~
 5 ~~appropriate~~], where appropriate, those cases where the lease
 6 has been extended or amended, the tax in this chapter shall be
 7 based on the cash value of the lease rentals discounted to
 8 present day value and capitalized at the rate of six per cent,
 9 plus the actual and full consideration paid or to be paid for
 10 any and all improvements, if any, that shall include on-site as
 11 well as off-site improvements, applicable to the leased
 12 premises; and provided further that the tax imposed for each
 13 transaction shall be [~~not~~] no less than \$1.

14 For the purposes of this section, "commercial properties"
 15 means property classified as "commercial" for county real
 16 property tax purposes."

17 SECTION 4. Statutory material to be repealed is bracketed
 18 and stricken. New statutory material is underscored.

19 SECTION 5. This Act shall take effect on January 1, 2022.



Report Title:

General Excise Tax; Use Tax; Conveyance Tax

Description:

From 1/1/2022 through 12/31/2023, temporarily suspends certain general excise and use tax exemptions. Increases conveyance taxes for the sale of non-commercial properties valued at \$4,000,000 or greater. Effective 1/1/2022. (HB58 CD1)

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

