

JAN 21 2022

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 PART I

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

5 "§237- Exemption of agricultural products. There shall
6 be exempted from, and excluded from the measure of, the taxes
7 imposed by this chapter all of the gross proceeds or income
8 arising from the manufacture, production, packaging, and sale of
9 agricultural products, including but not limited to produce,
10 dairy products, eggs, fish, and meat.

11 §237- Exemption of over-the-counter medical products.

12 (a) There shall be exempted from, and excluded from the measure
13 of, the taxes imposed by this chapter all of the gross proceeds
14 or income arising from the sale of:

- 15 (1) Over-the-counter nonprescription medications;
16 (2) Medical supplies; and
17 (3) Menstrual care products.



(b) For purposes of this section:

"Medical supplies" means items for medical use that are
suitable for use in a health care facility or in the home.

"Menstrual care product" means a tampon, pad, liner, cup,
sponge, or similar product used by individuals with respect to
menstruation or other genital-tract secretions.

"Over-the-counter nonprescription medications" means drugs or medications that can be purchased without a prescription, such as aspirin, cough syrup, and laxatives."

PART II

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

"§237- Luxury motor vehicles; surcharge. (a) In
addition to the tax imposed by section 237-13 or any other
provision in this chapter, there is levied and shall be assessed
and collected an additional surcharge on the gross proceeds of
sales of luxury motor vehicles. Upon every sale of a luxury
motor vehicle, regardless of whether the vehicle is new or used,
the amount of the surcharge shall be equal to thirty-three per
cent of the gross proceeds in excess of the cap amount specified



1 in subsection (b). All provisions of this chapter shall apply
2 to the surcharge. With respect to the surcharge, the director
3 of taxation shall have all the rights and powers provided under
4 this chapter.

5 (b) The surcharge established in subsection (a) shall be
6 applied to the sale of luxury motor vehicles as follows:

7 (1) For fuel-efficient vehicles, to the portion of the
8 gross proceeds that exceeds \$70,000; and

9 (2) For all other motor vehicles, to the portion of the
10 gross proceeds that exceeds \$60,000.

11 (c) The surcharge shall be imposed on the gross proceeds
12 or gross income of all written contracts that require the
13 passing on of the taxes imposed under this chapter; provided
14 that if the gross proceeds or gross income are received as
15 payments beginning in the taxable year in which the taxes become
16 effective, on contracts entered into before June 30 of the year
17 prior to the taxable year in which the taxes become effective,
18 and the written contracts do not provide for the passing on of
19 increased rates of taxes, the surcharge shall not be imposed on
20 the gross proceeds or gross income covered under the written
21 contracts. The surcharge shall be imposed on the gross proceeds



or gross income from all contracts entered into on or after
June 30 of the year prior to the taxable year in which the taxes
become effective, regardless of whether the contract allows for
the passing on of any tax or any tax increases.

(d) No surcharge under this section shall be established
on any:

(1) Gross income or gross proceeds taxable under this
chapter at the one-half per cent tax rate;

(2) Gross income or gross proceeds taxable under this
chapter at the 0.15 per cent tax rate; or

(3) Transactions, amounts, persons, gross income, or gross
proceeds exempt from tax under this chapter.

(e) The director of taxation shall revise the general
excise tax forms to provide for the clear and separate
designation of the imposition and payment of the surcharge.

(f) All taxpayers who file on a fiscal year basis whose
fiscal year ends after December 31 of the year prior to the
taxable year in which the taxes become effective, shall file a
short period annual return for the period preceding January 1 of
the taxable year in which the taxes become effective. Each
fiscal year taxpayer shall also file a short period annual



1 return for the period starting on January 1 of the taxable year
2 in which the taxes become effective, and ending before January 1
3 of the following year.

4 (g) For the purposes of this section:

5 "Alternative fuel vehicle" has the same meaning as
6 contained in title 10 Code of Federal Regulations part 490.

7 "Authorized emergency vehicle" has the same meaning as
8 defined in section 291C-1.

9 "Electric vehicle" has the same meaning as defined in
10 section 291-71.

11 "Fuel-efficient vehicle" means an electric vehicle or
12 alternative fuel vehicle.

13 "Luxury motor vehicle" means a motor vehicle where the
14 published manufacturer's suggested retail price, at the time of
15 initial sale, exceeds the cap amount specified in subsection

16 (b) .

17 "Luxury motor vehicle" does not include:

18 (1) Trucks or vans capable of carrying more than two tons;

19 (2) Motorhomes and campervans;

20 (3) Authorized emergency vehicles; and



1 (4) Vehicles specifically fitted out for transporting
2 passengers with a disability.

3 "Motor vehicle" has the same meaning as defined in section
4 286-2."

5 SECTION 3. Chapter 238, Hawaii Revised Statutes, is
6 amended by adding a new section to be appropriately designated
7 and to read as follows:

8 **"§238- Luxury motor vehicles; surcharge. (a) In**
9 addition to the tax imposed by section 238-2 or any other
10 provision in this chapter, there is levied and shall be assessed
11 and collected an additional surcharge on the value of luxury
12 motor vehicles taxable under this chapter. Upon importation
13 into the State, regardless of whether the vehicle is new or
14 used, the amount of the surcharge shall be equal to thirty-three
15 per cent of the value of the property taxable under this chapter
16 in excess of the cap amount specified in subsection (b). All
17 provisions of this chapter shall apply to the surcharge. With
18 respect to the surcharge, the director of taxation shall have
19 all the rights and powers provided under this chapter.

20 (b) The surcharge established in subsection (a) shall be
21 applied to the use of luxury motor vehicles as follows:



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1 (1) For fuel-efficient vehicles, to the portion of the
2 value of the vehicle that exceeds \$70,000; and

3 (2) For all other motor vehicles, to the portion of the
4 value of the vehicle that exceeds \$60,000.

5 (c) No surcharge under this section shall be established
6 upon any use taxable under this chapter at the one-half per cent
7 tax rate or upon any use that is not subject to taxation or that
8 is exempt from taxation under this chapter.

9 (d) The director of taxation shall revise the use tax
10 forms to provide for the clear and separate designation of the
11 imposition and payment of the surcharge.

12 (e) All taxpayers who file on a fiscal year basis whose
13 fiscal year ends after December 31 of the year prior to the
14 taxable year in which the taxes become effective, shall file a
15 short period annual return for the period preceding January 1 of
16 the taxable year in which the taxes become effective. Each
17 fiscal year taxpayer shall also file a short period annual
18 return for the period starting on January 1 of the taxable year
19 in which the taxes become effective, and ending before January 1
20 of the following year.

21 (f) For the purposes of this section:



1 "Alternative fuel vehicle" has the same meaning as
2 contained in title 10 Code of Federal Regulations part 490.

3 "Authorized emergency vehicle" has the same meaning as
4 defined in section 291C-1.

5 "Electric vehicle" has the same meaning as defined in
6 section 291-71.

7 "Fuel-efficient vehicle" means an electric vehicle or
8 alternative fuel vehicle.

9 "Luxury motor vehicle" means a motor vehicle where the
10 published manufacturer's suggested retail price, at the time of
11 initial sale, exceeds the cap amount specified in subsection
12 (b) .

13 "Luxury motor vehicle" does not include:

14 (1) Trucks or vans capable of carrying more than two tons;

15 (2) Motorhomes and campervans;

16 (3) Authorized emergency vehicles; and

17 (4) Vehicles specifically fitted out for transporting
18 passengers with a disability.

19 "Motor vehicle" has the same meaning as defined in section
20 286-2."



1 SECTION 4. Section 286-41, Hawaii Revised Statutes, is
2 amended by amending subsection (d) to read as follows:

3 "(d) The owner of every motor vehicle of the current,
4 previous, and subsequent year model bought out-of-state,
5 subsequently brought into the State, and subject to the use tax
6 under chapter 238 shall provide with the application for
7 registration proof of payment of the use tax, including all
8 surcharges applicable under chapter 238, pursuant to
9 requirements established by the department of taxation. No
10 registration certificate shall be issued without proof of
11 payment of the use tax."

12 PART III

13 SECTION 5. New statutory material is underscored.

14 SECTION 6. This Act shall take effect on July 1, 2022;
15 provided that part II shall take effect on January 1, 2023.

16 INTRODUCED BY: _____

June Acasis



S.B. NO. 2841

Report Title:

Taxation; General Excise Tax; Use Tax; Exemption; Agricultural Products; Over-The-Counter Drugs, Medical Supplies, and Menstrual Products; Surcharge; Luxury Cars

Description:

Exempts agricultural products, including produce, meat, and fish, from the general excise tax. Exempts over-the-counter drugs, medical supplies, and menstrual products from the general excise tax. Establishes a surcharge on the general excise tax and use tax for the sale or use of luxury cars.

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