
A BILL FOR AN ACT

RELATING TO REDUCING THE GENERAL EXCISE TAX.

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

1 SECTION 1. The purpose of this act is to amend the General
2 Excise Tax (GET) from four per cent to three per cent.

3 SECTION 2. Section 237-13, Hawaii Revised Statutes,
4 is amended by amending subsection 13 to read as follows:

5 "**§237-13 Imposition of tax.** There is hereby levied and
6 shall be assessed and collected annually privilege taxes against
7 persons on account of their business and other activities in the
8 State measured by the application of rates against values of
9 products, gross proceeds of sales, or gross income, whichever is
10 specified, as follows:

11 (1) Tax on manufacturers.

12 (A) Upon every person engaging or continuing within
13 the State in the business of manufacturing,
14 including compounding, canning, preserving,
15 packing, printing, publishing, milling,
16 processing, refining, or preparing for sale,
17 profit, or commercial use, either directly or



1 through the activity of others, in whole or in
2 part, any article or articles, substance or
3 substances, commodity or commodities, the amount
4 of the tax to be equal to the value of the
5 articles, substances, or commodities,
6 manufactured, compounded, canned, preserved,
7 packed, printed, milled, processed, refined, or
8 prepared for sale, as shown by the gross proceeds
9 derived from the sale thereof by the manufacturer
10 or person compounding, preparing, or printing
11 them, multiplied by one-half of one per cent.

12 (B) The measure of the tax on manufacturers is the
13 value of the entire product for sale.

14 (2) Tax on business of selling tangible personal property;
15 producing.

16 (A) Upon every person engaging or continuing in the
17 business of selling any tangible personal
18 property whatsoever, there is likewise hereby
19 levied, and shall be assessed and collected, a
20 tax equivalent to [~~four per cent~~] three per cent
21 of the gross proceeds of sales of the business;



1 provided that, in the case of a wholesaler, the
2 tax shall be equal to one-half of one per cent of
3 the gross proceeds of sales of the business; and
4 provided further that insofar as the sale of
5 tangible personal property is a wholesale sale
6 under section 237-4(a)(8), the tax shall be one-
7 half of one per cent of the gross proceeds. Upon
8 every person engaging or continuing within this
9 State in the business of a producer, the tax
10 shall be equal to one-half of one per cent of the
11 gross proceeds of sales of the business, or the
12 value of the products, for sale.

13 (B) Gross proceeds of sales of tangible property in
14 interstate and foreign commerce shall constitute
15 a part of the measure of the tax imposed on
16 persons in the business of selling tangible
17 personal property, to the extent, under the
18 conditions, and in accordance with the provisions
19 of the Constitution of the United States and the
20 Acts of the Congress of the United States which
21 may be now in force or may be hereafter adopted,



1 and whenever there occurs in the State an
2 activity to which, under the Constitution and
3 Acts of Congress, there may be attributed gross
4 proceeds of sales, the gross proceeds shall be so
5 attributed.

6 (C) No manufacturer or producer, engaged in such
7 business in the State and selling the
8 manufacturer's or producer's products for
9 delivery outside of the State (for example,
10 consigned to a mainland purchaser via common
11 carrier f.o.b. Honolulu), shall be required to
12 pay the tax imposed in this chapter for the
13 privilege of so selling the products, and the
14 value or gross proceeds of sales of the products
15 shall be included only in determining the measure
16 of the tax imposed upon the manufacturer or
17 producer.

18 (D) A manufacturer or producer, engaged in such
19 business in the State, shall pay the tax imposed
20 in this chapter for the privilege of selling its
21 products in the State, and the value or gross



1 proceeds of sales of the products, thus subjected
2 to tax, may be deducted insofar as duplicated as
3 to the same products by the measure of the tax
4 upon the manufacturer or producer for the
5 privilege of manufacturing or producing in the
6 State; provided that no producer of agricultural
7 products who sells the products to a purchaser
8 who will process the products outside the State
9 shall be required to pay the tax imposed in this
10 chapter for the privilege of producing or selling
11 those products.

12 (E) A taxpayer selling to a federal cost-plus
13 contractor may make the election provided for by
14 paragraph (3) (C), and in that case the tax shall
15 be computed pursuant to the election,
16 notwithstanding this paragraph or paragraph (1)
17 to the contrary.

18 (F) The department, by rule, may require that a
19 seller take from the purchaser of tangible
20 personal property a certificate, in a form



1 prescribed by the department, certifying that the
2 sale is a sale at wholesale; provided that:

3 (i) Any purchaser who furnishes a certificate
4 shall be obligated to pay to the seller,
5 upon demand, the amount of the additional
6 tax that is imposed upon the seller whenever
7 the sale in fact is not at wholesale; and

8 (ii) The absence of a certificate in itself shall
9 give rise to the presumption that the sale
10 is not at wholesale unless the sales of the
11 business are exclusively at wholesale.

12 (3) Tax upon contractors.

13 (A) Upon every person engaging or continuing within
14 the State in the business of contracting, the tax
15 shall be equal to [~~four per cent~~] three per cent
16 of the gross income of the business.

17 (B) In computing the tax levied under this paragraph,
18 there shall be deducted from the gross income of
19 the taxpayer so much thereof as has been included
20 in the measure of the tax levied under
21 subparagraph (A), on another taxpayer who is a



1 contractor, as defined in section 237-6; provided
2 that any person claiming a deduction under this
3 paragraph shall be required to show in the
4 person's return the name and general excise
5 number of the person paying the tax on the amount
6 deducted by the person.

7 (C) In computing the tax levied under this paragraph
8 against any federal cost-plus contractor, there
9 shall be excluded from the gross income of the
10 contractor so much thereof as fulfills the
11 following requirements:

12 (i) The gross income exempted shall constitute
13 reimbursement of costs incurred for
14 materials, plant, or equipment purchased
15 from a taxpayer licensed under this chapter,
16 not exceeding the gross proceeds of sale of
17 the taxpayer on account of the transaction;
18 and

19 (ii) The taxpayer making the sale shall have
20 certified to the department that the
21 taxpayer is taxable with respect to the



1 gross proceeds of the sale, and that the
2 taxpayer elects to have the tax on gross
3 income computed the same as upon a sale to
4 the state government.

5 (D) A person who, as a business or as a part of a
6 business in which the person is engaged, erects,
7 constructs, or improves any building or
8 structure, of any kind or description, or makes,
9 constructs, or improves any road, street,
10 sidewalk, sewer, or water system, or other
11 improvements on land held by the person (whether
12 held as a leasehold, fee simple, or otherwise),
13 upon the sale or other disposition of the land or
14 improvements, even if the work was not done
15 pursuant to a contract, shall be liable to the
16 same tax as if engaged in the business of
17 contracting, unless the person shows that at the
18 time the person was engaged in making the
19 improvements the person intended, and for the
20 period of at least one year after completion of
21 the building, structure, or other improvements



1 the person continued to intend to hold and not
2 sell or otherwise dispose of the land or
3 improvements. The tax in respect of the
4 improvements shall be measured by the amount of
5 the proceeds of the sale or other disposition
6 that is attributable to the erection,
7 construction, or improvement of such building or
8 structure, or the making, constructing, or
9 improving of the road, street, sidewalk, sewer,
10 or water system, or other improvements. The
11 measure of tax in respect of the improvements
12 shall not exceed the amount which would have been
13 taxable had the work been performed by another,
14 subject as in other cases to the deductions
15 allowed by subparagraph (B). Upon the election
16 of the taxpayer, this paragraph may be applied
17 notwithstanding that the improvements were not
18 made by the taxpayer, or were not made as a
19 business or as a part of a business, or were made
20 with the intention of holding the same. However,
21 this paragraph shall not apply in respect of any



1 proceeds that constitute or are in the nature of
2 rent, which shall be taxable under paragraph (9);
3 provided that insofar as the business of renting
4 or leasing real property under a lease is taxed
5 under section 237-16.5, the tax shall be levied
6 by section 237-16.5.

7 (4) Tax upon theaters, amusements, radio broadcasting
8 stations, etc.

9 (A) Upon every person engaging or continuing within
10 the State in the business of operating a theater,
11 opera house, moving picture show, vaudeville,
12 amusement park, dance hall, skating rink, radio
13 broadcasting station, or any other place at which
14 amusements are offered to the public, the tax
15 shall be equal to [~~four per cent~~] three per cent
16 of the gross income of the business, and in the
17 case of a sale of an amusement at wholesale under
18 section 237-4(a)(13), the tax shall be one-half
19 of one per cent of the gross income.

20 (B) The department may require that the person
21 rendering an amusement at wholesale take from the



1 licensed seller a certificate, in a form
2 prescribed by the department, certifying that the
3 sale is a sale at wholesale; provided that:

4 (i) Any licensed seller who furnishes a
5 certificate shall be obligated to pay to the
6 person rendering the amusement, upon demand,
7 the amount of additional tax that is imposed
8 upon the seller whenever the sale is not at
9 wholesale; and

10 (ii) The absence of a certificate in itself shall
11 give rise to the presumption that the sale
12 is not at wholesale unless the person
13 rendering the sale is exclusively rendering
14 the amusement at wholesale.

15 (5) Tax upon sales representatives, etc. Upon every
16 person classified as a representative or purchasing
17 agent under section 237-1, engaging or continuing
18 within the State in the business of performing
19 services for another, other than as an employee, there
20 is likewise hereby levied and shall be assessed and
21 collected a tax equal to [~~four per cent~~] three per



1 cent of the commissions and other compensation
2 attributable to the services so rendered by the
3 person.

4 (6) Tax on service business.

5 (A) Upon every person engaging or continuing within
6 the State in any service business or calling
7 including professional services not otherwise
8 specifically taxed under this chapter, there is
9 likewise hereby levied and shall be assessed and
10 collected a tax equal to [~~four per cent~~] three
11 per cent of the gross income of the business, and
12 in the case of a wholesaler under section 237-
13 4(a)(10), the tax shall be equal to one-half of
14 one per cent of the gross income of the business.

15 (B) The department may require that the person
16 rendering a service at wholesale take from the
17 licensed seller a certificate, in a form
18 prescribed by the department, certifying that the
19 sale is a sale at wholesale; provided that:

20 (i) Any licensed seller who furnishes a
21 certificate shall be obligated to pay to the



1 person rendering the service, upon demand,
2 the amount of additional tax that is imposed
3 upon the seller whenever the sale is not at
4 wholesale; and

5 (ii) The absence of a certificate in itself shall
6 give rise to the presumption that the sale
7 is not at wholesale unless the person
8 rendering the sale is exclusively rendering
9 services at wholesale.

10 (C) Where any person is engaged in the business of
11 selling interstate or foreign common carrier
12 telecommunication services within and without the
13 State, other than as a home service provider, the
14 tax shall be imposed on that portion of gross
15 income received by a person from service which is
16 originated or terminated in this State and is
17 charged to a telephone number, customer, or
18 account in this State notwithstanding any other
19 state law (except for the exemption under section
20 237-23(a)(1)) to the contrary. If, under the
21 Constitution and laws of the United States, the



1 entire gross income as determined under this
2 paragraph of a business selling interstate or
3 foreign common carrier telecommunication services
4 cannot be included in the measure of the tax, the
5 gross income shall be apportioned as provided in
6 section 237-21; provided that the apportionment
7 factor and formula shall be the same for all
8 persons providing those services in the State.

9 (D) Where any person is engaged in the business of a
10 home service provider, the tax shall be imposed
11 on the gross income received or derived from
12 providing interstate or foreign mobile
13 telecommunications services to a customer with a
14 place of primary use in this State when the
15 services originate in one state and terminate in
16 another state, territory, or foreign country;
17 provided that all charges for mobile
18 telecommunications services which are billed by
19 or for the home service provider are deemed to be
20 provided by the home service provider at the
21 customer's place of primary use, regardless of



1 where the mobile telecommunications originate,
2 terminate, or pass through; provided further that
3 the income from charges specifically derived from
4 interstate or foreign mobile telecommunications
5 services, as determined by books and records that
6 are kept in the regular course of business by the
7 home service provider in accordance with section
8 239-24, shall be apportioned under any
9 apportionment factor or formula adopted under
10 subparagraph (C). Gross income shall not
11 include:
12 (i) Gross receipts from mobile
13 telecommunications services provided to a
14 customer with a place of primary use outside
15 this State;
16 (ii) Gross receipts from mobile
17 telecommunications services that are subject
18 to the tax imposed by chapter 239;
19 (iii) Gross receipts from mobile
20 telecommunications services taxed under
21 section 237-13.8; and



1 (iv) Gross receipts of a home service provider
2 acting as a serving carrier providing mobile
3 telecommunications services to another home
4 service provider's customer.

5 For the purposes of this paragraph, "charges for
6 mobile telecommunications services", "customer",
7 "home service provider", "mobile
8 telecommunications services", "place of primary
9 use", and "serving carrier" have the same meaning
10 as in section 239-22.

11 (7) Tax on insurance producers. Upon every person engaged
12 as a licensed producer pursuant to chapter 431, there
13 is hereby levied and shall be assessed and collected a
14 tax equal to 0.15 per cent of the commissions due to
15 that activity.

16 (8) Tax on receipts of sugar benefit payments. Upon the
17 amounts received from the United States government by
18 any producer of sugar (or the producer's legal
19 representative or heirs), as defined under and by
20 virtue of the Sugar Act of 1948, as amended, or other
21 Acts of the Congress of the United States relating



1 thereto, there is hereby levied a tax of one-half of
2 one per cent of the gross amount received; provided
3 that the tax levied hereunder on any amount so
4 received and actually disbursed to another by a
5 producer in the form of a benefit payment shall be
6 paid by the person or persons to whom the amount is
7 actually disbursed, and the producer actually making a
8 benefit payment to another shall be entitled to claim
9 on the producer's return a deduction from the gross
10 amount taxable hereunder in the sum of the amount so
11 disbursed. The amounts taxed under this paragraph
12 shall not be taxable under any other paragraph,
13 subsection, or section of this chapter.

14 (9) Tax on other business. Upon every person engaging or
15 continuing within the State in any business, trade,
16 activity, occupation, or calling not included in the
17 preceding paragraphs or any other provisions of this
18 chapter, there is likewise hereby levied and shall be
19 assessed and collected, a tax equal to [~~four per cent~~]
20 three per cent of the gross income thereof. In
21 addition, the rate prescribed by this paragraph shall



1 apply to a business taxable under one or more of the
2 preceding paragraphs or other provisions of this
3 chapter, as to any gross income thereof not taxed
4 thereunder as gross income or gross proceeds of sales
5 or by taxing an equivalent value of products, unless
6 specifically exempted. "

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

9 SECTION 4. This act shall take effect upon its approval
10 and shall apply to taxable years beginning after December 31,
11 2023.

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INTRODUCED BY:

Jan Matata
JAN 20 2023



H.B. NO. 689

Report Title:

General Excise Tax

Description:

Reduce to the cost living to Hawaii taxpayers through a one per cent reduction in the general excise tax. The general excise tax savings would only be applicable to the value of the entire retail product or service sold.

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