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# 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 a new section to be appropriately designated  
4 and to read as follows:

5 "§237- Exemption for diapers. (a) There shall be  
6 exempted from, and excluded from the measure of, the taxes  
7 imposed by this chapter all the gross proceeds or income arising  
8 from the manufacture, production, packaging, and sale of diapers  
9 within the State.

10 (b) As used in this section, "diaper" means an absorbent  
11 garment that:

12 (1) Is washable or disposable; and

13 (2) If disposable:

14 (A) Does not use any latex or common allergens; and

15 (B) Meets or exceeds the quality standards for  
16 diapers commercially available through retail

17 sale in the following categories:



- 1                    (i) Absorbency (with acceptable rates for first
- 2    and second wetting);
- 3                    (ii) Waterproof outer cover;
- 4                    (iii) Flexible leg openings; and
- 5                    (iv) Refastening closures."

PART II

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

10            "§237-        **Luxury motor vehicles; surcharge.** (a) In  
11 addition to the tax imposed by section 237-13 or any other  
12 provision in this chapter, there is levied and shall be assessed  
13 and collected a surcharge on the gross proceeds of sales of  
14 luxury motor vehicles. Upon every sale of a luxury motor  
15 vehicle, regardless of whether the vehicle is new or used, the  
16 amount of the surcharge shall be equal to fifty per cent of the  
17 sum of all applicable taxes imposed under this chapter on the  
18 gross proceeds of sales of luxury motor vehicles. All  
19 provisions of this chapter shall apply to the surcharge. With  
20 respect to the surcharge, the director of taxation shall have  
21 all the rights and powers provided under this chapter.



1        (b) The surcharge shall be imposed on the gross proceeds  
2 or gross income of all written contracts that require the  
3 passing on of the taxes imposed under this chapter; provided  
4 that if the gross proceeds or gross income are received as  
5 payments beginning in the taxable year in which the taxes become  
6 effective, on contracts entered into before June 30 of the year  
7 before the taxable year in which the taxes become effective, and  
8 the written contracts do not provide for the passing on of  
9 increased rates of taxes, the surcharge shall not be imposed on  
10 the gross proceeds or gross income covered under the written  
11 contracts. The surcharge shall be imposed on the gross proceeds  
12 or gross income from all contracts entered into on or after  
13 June 30 of the year before the taxable year in which the taxes  
14 become effective, regardless of whether the contract allows for  
15 the passing on of any tax or any tax increases.

16        (c) No surcharge under this section shall be established  
17 on any:

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

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





- 1        (1) Trucks or vans capable of carrying more than two tons;
- 2        (2) Motorhomes and campervans;
- 3        (3) Authorized emergency vehicles; and
- 4        (4) Vehicles specifically fitted for transporting
- 5                passengers with a disability.

6        "Motor vehicle" has the same meaning as in section 286-2."

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

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



1        (b) No surcharge under this section shall be established  
2 upon any use taxable under this chapter at the one-half per cent  
3 tax rate or upon any use that is not subject to taxation or that  
4 is exempt from taxation under this chapter.

5        (c) The director of taxation shall revise the use tax  
6 forms to provide for the clear and separate designation of the  
7 imposition and payment of the surcharge.

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

17        (e) For the purposes of this section:

18        "Authorized emergency vehicle" has the same meaning as in  
19 section 291C-1.

20        "Luxury motor vehicle" means a motor vehicle where the  
21 published manufacturer's suggested retail price, at the time of



1 initial sale, is \$ \_\_\_\_\_ or more. "Luxury motor vehicle"

2 does not include:

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

4 (2) Motorhomes and campervans;

5 (3) Authorized emergency vehicles; and

6 (4) Vehicles specifically fitted out for transporting  
7 passengers with a disability.

8 "Motor vehicle" has the same meaning as in section 286-2."

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

11 "(d) The owner of every motor vehicle of the current,  
12 previous, and subsequent year model bought out-of-state,  
13 subsequently brought into the State, and subject to the use tax  
14 under chapter 238 shall provide with the application for  
15 registration proof of payment of the use tax, including all  
16 surcharges applicable under chapter 238, pursuant to  
17 requirements established by the department of taxation. No  
18 registration certificate shall be issued without proof of  
19 payment of the use tax."

20 PART III



1 SECTION 5. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 6. This Act shall take effect on July 1, 2025;  
4 provided that part II shall take effect on January 1, 2026.

5

INTRODUCED BY:

*Phil Coco*

JAN 23 2025



# H.B. NO. 1335

**Report Title:**

General Excise Tax; Exemption; Diapers; Luxury Car Surcharge;  
Use Tax

**Description:**

Establishes a general excise tax exemption for the gross proceeds or income from the manufacture, production, packaging, and sale of diapers. Establishes a surcharge on the general excise tax and use tax for the sale or use of luxury cars.

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