
A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

SECTION 1. Section 237-24, Hawaii Revised Statutes, is amended to read as follows:

"§237-24 Amounts not taxable. This chapter shall not apply to the following amounts:

- (1) Amounts received under life insurance policies and contracts paid by reason of the death of the insured;
- (2) Amounts received (other than amounts paid by reason of death of the insured) under life insurance, endowment, or annuity contracts, either during the term or at maturity or upon surrender of the contract;
- (3) Amounts received under any accident insurance or health insurance policy or contract or under workers' compensation acts or employers' liability acts, as compensation for personal injuries, death, or sickness, including also the amount of any damages or other compensation received, whether as a result of action or by private agreement between the parties on account of the personal injuries, death, or sickness;

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- 1 (4) The value of all property of every kind and sort
2 acquired by gift, bequest, or devise, and the value of
3 all property acquired by descent or inheritance;
4 (5) Amounts received by any person as compensatory damages
5 for any tort injury to the person, or to the person's
6 character reputation, or received as compensatory
7 damages for any tort injury to or destruction of
8 property, whether as the result of action or by
9 private agreement between the parties (provided that
10 amounts received as punitive damages for tort injury
11 or breach of contract injury shall be included in
12 gross income);
13 (6) Amounts received as salaries or wages for services
14 rendered by an employee to an employer;
15 (7) Amounts received as alimony and other similar payments
16 and settlements;
17 (8) Amounts collected by distributors as fuel taxes on
18 "liquid fuel" imposed by chapter 243, and the amounts
19 collected by such distributors as a fuel tax imposed
20 by any Act of the Congress of the United States;
21 (9) Taxes on liquor imposed by chapter 244D on dealers
22 holding permits under that chapter;

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- 1 (10) The amounts of taxes on cigarettes and tobacco
2 products imposed by chapter 245 on wholesalers or
3 dealers holding licenses under that chapter and
4 selling the products at wholesale;
- 5 (11) Federal excise taxes imposed on articles sold at
6 retail and collected from the purchasers thereof and
7 paid to the federal government by the retailer;
- 8 (12) The amounts of federal taxes under chapter 37 of the
9 Internal Revenue Code, or similar federal taxes,
10 imposed on sugar manufactured in the State, paid by
11 the manufacturer to the federal government;
- 12 (13) An amount up to, but not in excess of, \$2,000 a year
13 of gross income received by any blind, deaf, or
14 totally disabled person engaging, or continuing, in
15 any business, trade, activity, occupation, or calling
16 within the State; a corporation all of whose
17 outstanding shares are owned by an individual or
18 individuals who are blind, deaf, or totally disabled;
19 a general, limited, or limited liability partnership,
20 all of whose partners are blind, deaf, or totally
21 disabled; or a limited liability company, all of whose
22 members are blind, deaf, or totally disabled;

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(14) Amounts received by a producer of sugarcane from the manufacturer to whom the producer sells the sugarcane, where:

(A) The producer is an independent cane farmer, so classed by the Secretary of Agriculture under the Sugar Act of 1948 (61 Stat. 922, chapter 519) as the Act may be amended or supplemented;

(B) The value or gross proceeds of sale of the sugar, and other products manufactured from the sugarcane, is included in the measure of the tax levied on the manufacturer under section 237-13(1) or (2);

(C) The producer's gross proceeds of sales are dependent upon the actual value of the products manufactured therefrom or the average value of all similar products manufactured by the manufacturer; and

(D) The producer's gross proceeds of sales are reduced by reason of the tax on the value or sale of the manufactured products;

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1 (15) Money paid by the State or eleemosynary child-placing
2 organizations to foster parents for their care of
3 children in foster homes;

4 (16) Amounts received by a cooperative housing corporation
5 from its shareholders in reimbursement of funds paid
6 by such corporation for lease rental, real property
7 taxes, and other expenses of operating and maintaining
8 the cooperative land and improvements; provided that
9 such a cooperative corporation is a corporation:

10 (A) Having one and only one class of stock
11 outstanding;

12 (B) Each of the stockholders of which is entitled
13 solely by reason of the stockholder's ownership
14 of stock in the corporation, to occupy for
15 dwelling purposes a house, or an apartment in a
16 building owned or leased by the corporation; and

17 (C) No stockholder of which is entitled (either
18 conditionally or unconditionally) to receive any
19 distribution not out of earnings and profits of
20 the corporation except in a complete or partial
21 liquidation of the corporation; [~~and~~]

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(17) Amounts received by a contractor of the Patient-Centered Community Care program that is established by the United States Department of Veterans Affairs pursuant to title 38 United States Code section 8153, as amended, for the actual costs or advancements to third party health care providers pursuant to a contract with the United States[-]; and

(18) Amounts received by an adult residential care home licensed under section 321-15.6 or expanded adult residential care home licensed under 321-15.62 for providing residential care services pursuant to a contract with the department of health."

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

SECTION 3. This Act, upon its approval, shall take effect on January 1, 2026.

INTRODUCED BY:



BY REQUEST

JAN 21 2025

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Report Title:

DOH; General Excise Tax; Exemption; Adult Residential Care Homes

Description:

Authorizes general excise tax exemptions for residential care services provided by certain licensed health care facilities pursuant to a contract with the Adult Mental Health Division of the Department of Health. Effective 1/1/26.

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

JUSTIFICATION SHEET

DEPARTMENT: Health

TITLE: A BILL FOR AN ACT RELATING TO THE GENERAL
EXCISE TAX.

PURPOSE: To exempt from the general excise tax amounts received by licensed adult residential care homes pursuant to a contract with the Adult Mental Health Division (AMHD) of the Department of Health for providing residential care services in Adult Residential Care Homes (ARCH) and Expanded Adult Residential Care Homes (E-ARCH).

MEANS: Amend section 237-24, Hawaii Revised Statutes (HRS).

JUSTIFICATION: AMHD currently contracts with E-ARCHs for residential care services for Hawaii State Hospital patients and other appropriate AMHD clients who qualify for residential care services. The amount paid by AMHD cannot compete with private clients, therefore, AMHD struggles to place its clients.

This bill provides some incentive in the way of tax relief for E-ARCHs to accept AMHD clients.

Although AMHD does not currently contract with ARCHs, AMHD clients are placed there. The same pay disparity exists as many of the AMHD clients are recipients of Medicaid. AMHD has an interest in exploring the possibility of contracting with ARCHs as it does with E-ARCHs. Therefore, AMHD is including ARCHs in this bill to ensure ARCHs and E-ARCHs are provided with the same tax incentive.

Impact on the public: E-ARCHs and potentially ARCHs will be more likely to accept AMHD clients.

Impact on the department and other agencies:
Department of Budget and Finance and
Department of Taxation may see declines in
revenue.

GENERAL FUND: Undetermined.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: HTH 420.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance; Department
of Taxation.

EFFECTIVE DATE: January 1, 2026.