
A BILL FOR AN ACT

RELATING TO TAXES.

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

1 SECTION 1. Section 237-1, Hawaii Revised Statutes, is
2 amended by adding two new definitions to be appropriately
3 inserted and to read as follows:

4 "Lessor" has the same meaning as in section 251-1.

5 "Rental motor vehicle" has the same meaning as in section
6 251-1."

7 SECTION 2. Section 237-4, Hawaii Revised Statutes, is
8 amended by amending subsection (a) to read as follows:

9 (a) "Wholesaler" or "jobber" applies only to a person
10 making sales at wholesale. Only the following are sales at
11 wholesale:

12 (1) Sales to a licensed retail merchant, jobber, or other
13 licensed seller for purposes of resale; provided that
14 a sale for purpose of resale shall not include the
15 sale of a motor vehicle to a lessor of rental motor
16 vehicles for use as a rental motor vehicle; provided
17 further that:



1 (A) Beginning on July 1, 2026, and ending on June 30,
2 2030, the revenue generated for the sale of a
3 motor vehicle to a lessor of rental motor
4 vehicles for use as a rental motor vehicle in
5 accordance with paragraph (1) shall be deposited
6 into the teacher temporary hazard pay special
7 fund established pursuant to Act , Session
8 Laws of Hawaii 2026; and
9 (B) Beginning on July 1, 2030, and thereafter, the
10 revenue generated for the sale of a motor vehicle
11 to a lessor of rental motor vehicles for use as a
12 rental motor vehicle in accordance with paragraph
13 (1) shall be deposited into the general fund;
14 (2) Sales to a licensed manufacturer of materials or
15 commodities that are to be incorporated by the
16 manufacturer into a finished or saleable product
17 (including the container or package in which the
18 product is contained) during the course of its
19 preservation, manufacture, or processing, including
20 preparation for market, and that will remain in such
21 finished or saleable product in such form as to be



1 perceptible to the senses, which finished or saleable
2 product is to be sold and not otherwise used by the
3 manufacturer;

4 (3) Sales to a licensed producer or cooperative
5 association of materials or commodities that are to be
6 incorporated by the producer or by the cooperative
7 association into a finished or saleable product that
8 is to be sold and not otherwise used by the producer
9 or cooperative association, including specifically
10 materials or commodities expended as essential to the
11 planting, growth, nurturing, and production of
12 commodities that are sold by the producer or by the
13 cooperative association;

14 (4) Sales to a licensed contractor, of materials or
15 commodities that are to be incorporated by the
16 contractor into the finished work or project required
17 by the contract and that will remain in such finished
18 work or project in such form as to be perceptible to
19 the senses;

20 (5) Sales to a licensed producer, or to a cooperative
21 association described in section [+]237-23(a) (8) [+]



1 for sale to a licensed producer, or to a licensed
2 person operating a feed lot, of poultry or animal
3 feed, hatching eggs, semen, replacement stock,
4 breeding services for the purpose of raising or
5 producing animal or poultry products for disposition
6 as described in section 237-5 or for incorporation
7 into a manufactured product as described in paragraph
8 (2) or for the purpose of breeding, hatching, milking,
9 or egg laying other than for the customer's own
10 consumption of the meat, poultry, eggs, or milk so
11 produced; provided that in the case of a feed lot
12 operator, only the segregated cost of the feed
13 furnished by the feed lot operator as part of the feed
14 lot operator's service to a licensed producer of
15 poultry or animals to be butchered or to a cooperative
16 association described in section [+]237-23(a)(8)[+] of
17 such licensed producers shall be deemed to be a sale
18 at wholesale; and provided further that any amount
19 derived from the furnishing of feed lot services,
20 other than the segregated cost of feed, shall be
21 deemed taxable at the service business rate. This



1 paragraph shall not apply to the sale of feed for
2 poultry or animals to be used for hauling,
3 transportation, or sports purposes;

4 (6) Sales to a licensed producer, or to a cooperative
5 association described in section [+]237-23(a)(8)[+]
6 for sale to the producer, of seed or seedstock for
7 producing agricultural and aquacultural products, or
8 bait for catching fish (including the catching of bait
9 for catching fish), which agricultural and
10 aquacultural products or fish are to be disposed of as
11 described in section 237-5 or to be incorporated in a
12 manufactured product as described in paragraph (2);

13 (7) Sales to a licensed producer, or to a cooperative
14 association described in section [+]237-23(a)(8)[+]
15 for sale to such producer; of polypropylene shade
16 cloth; of polyfilm; of polyethylene film; of cartons
17 and such other containers, wrappers, and sacks, and
18 binders to be used for packaging eggs, vegetables,
19 fruits, and other agricultural and aquacultural
20 products; of seedlings and cuttings for producing
21 nursery plants or aquacultural products; or of chick



1 containers; which cartons and such other containers,
2 wrappers, and sacks, binders, seedlings, cuttings, and
3 containers are to be used as described in section 237-
4 5, or to be incorporated in a manufactured product as
5 described in paragraph (2);

6 (8) Sales of tangible personal property where:

7 (A) Tangible personal property is sold upon the order
8 or request of a licensed seller for the purpose
9 of rendering a service in the course of the
10 person's service business or calling, or upon the
11 order or request of a person subject to tax under
12 section 237D-2 for the purpose of furnishing
13 transient accommodations;

14 (B) The tangible personal property becomes or is used
15 as an identifiable element of the service
16 rendered; and

17 (C) The cost of the tangible personal property does
18 not constitute overhead to the licensed seller;

19 (9) Sales to a licensed leasing company of capital goods
20 that have a depreciable life, are purchased by the
21 leasing company for lease to its customers, and are



1 thereafter leased as a service to others; provided
2 that this paragraph shall not apply to the sale of a
3 motor vehicle to a lessor of rental motor vehicles for
4 use as a rental motor vehicle; provided further that;
5 (A) Beginning on July 1, 2026, and ending on June 30,
6 2030, the revenue generated for the sale of a
7 motor vehicle to a lessor of rental motor
8 vehicles for use as a rental motor vehicle in
9 accordance with paragraph (9) shall be deposited
10 into the teacher temporary hazard pay special
11 fund established pursuant to Act , Session
12 Laws of Hawaii 2026; and
13 (B) Beginning on July 1, 2030, and thereafter, the
14 revenue generated for the sale of a motor vehicle
15 to a lessor of rental motor vehicles for use as a
16 rental motor vehicle in accordance with paragraph
17 (9) shall be deposited into the general fund;
18 (10) Sales of services to a licensed seller engaging in a
19 business or calling whenever:
20 (A) Either:





1 (iv) In the context of a services-to-transient
2 accommodations rental transaction, a service
3 is rendered upon the order or request of a
4 person subject to tax under section 237D-2
5 for the purpose of furnishing transient
6 accommodations;

7 (B) The benefit of the service passes to the customer
8 of the licensed seller, licensed contractor, or
9 person furnishing transient accommodations as an
10 identifiable element of the other service or
11 property to be sold, the contracting, or the
12 furnishing of transient accommodations;

13 (C) The cost of the service does not constitute
14 overhead to the licensed seller, licensed
15 contractor, or person furnishing transient
16 accommodations;

17 (D) The gross income of the licensed seller is not
18 divided between the licensed seller and another
19 licensed seller, contractor, or person furnishing
20 transient accommodations for imposition of the
21 tax under this chapter;



1 (E) The gross income of the licensed seller is not
2 subject to a deduction under this chapter or
3 chapter 237D; and

4 (F) The resale of the service, tangible personal
5 property, contracting, or transient
6 accommodations is subject to the tax imposed
7 under this chapter at the highest tax rate.

8 (11) Sales to a licensed retail merchant, jobber, or other
9 licensed seller of bulk condiments or prepackaged
10 single-serving packets of condiments that are provided
11 to customers by the licensed retail merchant, jobber,
12 or other licensed seller;

13 (12) Sales to a licensed retail merchant, jobber, or other
14 licensed seller of tangible personal property that
15 will be incorporated or processed by the licensed
16 retail merchant, jobber, or other licensed seller into
17 a finished or saleable product during the course of
18 its preparation for market (including disposable,
19 nonreturnable containers, packages, or wrappers, in
20 which the product is contained and that are generally
21 known and most commonly used to contain food or



beverage for transfer or delivery), and which finished or saleable product is to be sold and not otherwise used by the licensed retail merchant, jobber, or other licensed seller;

(13) Sales of amusements subject to taxation under section 237-13(4) to a licensed seller engaging in a business or calling whenever:

(A) Either:

(i) In the context of an amusement-to-service transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another service in the course of the seller's service business or calling;

(ii) In the context of an amusement-to-tangible personal property transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of selling tangible personal property; or

(iii) In the context of an amusement-to-amusement transaction, an amusement is rendered upon





1 As used in this paragraph, "amusement" means
2 entertainment provided as part of a show for which
3 there is an admission charge; and
4 (14) Sales by a printer to a publisher of magazines or
5 similar printed materials containing advertisements,
6 when the publisher is under contract with the
7 advertisers to distribute a minimum number of
8 magazines or similar printed materials to the public
9 or defined segment of the public, whether or not there
10 is a charge to the persons who actually receive the
11 magazines or similar printed materials."

12 SECTION 3. Section 238-1, Hawaii Revised Statutes, is
13 amended by adding a new definition to be appropriately inserted
14 and to read as follows:

15 """Lessor" has the same meaning as in section 251-1.
16 "Rental motor vehicle" has the same meaning as in section
17 251-1."

18 SECTION 4. Section 238-2, Hawaii Revised Statutes, is
19 amended to read as follows:
20 **"§238-2 Imposition of tax on tangible personal property;**
21 **exemptions.** There is hereby levied an excise tax on the use in



1 this State of tangible personal property which is imported by a
2 taxpayer in this State whether owned, purchased from an
3 unlicensed seller, or however acquired for use in this State.

4 The tax imposed by this chapter shall accrue when the property
5 is acquired by the importer or purchaser and becomes subject to
6 the taxing jurisdiction of the State. The rates of the tax
7 hereby imposed and the exemptions thereof are as follows:

8 (1) If the importer or purchaser is licensed under chapter
9 237 and is:

10 (A) A wholesaler or jobber importing or purchasing
11 for purposes of sale or resale; or

12 (B) A manufacturer importing or purchasing material
13 or commodities which are to be incorporated by
14 the manufacturer into a finished or saleable
15 product (including the container or package in
16 which the product is contained) wherein it will
17 remain in such form as to be perceptible to the
18 senses, and which finished or saleable product is
19 to be sold in such manner as to result in a
20 further tax on the activity of the manufacturer



1 as the manufacturer or as a wholesaler, and not
2 as a retailer,

3 there shall be no tax; provided that if the
4 wholesaler, jobber, or manufacturer is also engaged in
5 business as a retailer (so classed under chapter 237),
6 paragraph (2) shall apply to the wholesaler, jobber,
7 or manufacturer, but the director of taxation shall
8 refund to the wholesaler, jobber, or manufacturer, in
9 the manner provided under section 231-23(c) such
10 amount of tax as the wholesaler, jobber, or
11 manufacturer shall, to the satisfaction of the
12 director, establish to have been paid by the
13 wholesaler, jobber, or manufacturer to the director
14 with respect to property which has been used by the
15 wholesaler, jobber, or manufacturer for the purposes
16 stated in this paragraph;

17 (2) If the importer or purchaser is licensed under chapter
18 237 and is:
19 (A) A retailer or other person importing or
20 purchasing for purposes of sale or resale, not
21 exempted by paragraph (1); provided that the



1 importation or purchase for purposes of sale or
2 resale shall not include the importation or
3 purchase of a motor vehicle by a lessor of rental
4 motor vehicles for use as a rental motor vehicle;
5 provided further that:

6 (i) Beginning on July 1, 2026, and ending on
7 June 30, 2030, the tax imposed on a retailer
8 or other person importing or purchasing a
9 motor vehicle by a lessor of rental motor
10 vehicles for use as a rental motor vehicle
11 in accordance with paragraph (2) (A) shall be
12 deposited into the teacher temporary hazard
13 pay special fund established pursuant to
14 Act , Session Laws of Hawaii 2026; and

15 (ii) Beginning on July 1, 2030, and thereafter,
16 the tax imposed on a retailer or other
17 person importing or purchasing a motor
18 vehicle by a lessor of rental motor vehicles
19 for use as a rental motor vehicle in
20 accordance with paragraph (2) (A) shall be
21 deposited into the general fund;



1 (B) A manufacturer importing or purchasing material
2 or commodities which are to be incorporated by
3 the manufacturer into a finished or saleable
4 product (including the container or package in
5 which the product is contained) wherein it will
6 remain in such form as to be perceptible to the
7 senses, and which finished or saleable product is
8 to be sold at retail in this State, in such
9 manner as to result in a further tax on the
10 activity of the manufacturer in selling such
11 products at retail;

12 (C) A contractor importing or purchasing material or
13 commodities which are to be incorporated by the
14 contractor into the finished work or project
15 required by the contract and which will remain in
16 such finished work or project in such form as to
17 be perceptible to the senses;

18 (D) A person engaged in a service business or calling
19 as defined in section 237-7, or a person
20 furnishing transient accommodations subject to
21 the tax imposed by section 237D-2, in which the



1 import or purchase of tangible personal property
2 would have qualified as a sale at wholesale as
3 defined in section 237-4(a)(8) had the seller of
4 the property been subject to the tax in chapter
5 237; or

6 (E) A publisher of magazines or similar printed
7 materials containing advertisements, when the
8 publisher is under contract with the advertisers
9 to distribute a minimum number of magazines or
10 similar printed materials to the public or
11 defined segment of the public, whether or not
12 there is a charge to the persons who actually
13 receive the magazines or similar printed
14 materials,

15 the tax shall be one-half of one per cent of the
16 purchase price of the property, if the purchase and
17 sale are consummated in Hawaii; or, if there is no
18 purchase price applicable thereto, or if the purchase
19 or sale is consummated outside of Hawaii, then one-
20 half of one per cent of the value of such property;
21 and



3 For purposes of this section, tangible personal property is
4 property that is imported by the taxpayer for use in this State,
5 notwithstanding the fact that title to the property, or the risk
6 of loss to the property, passes to the purchaser of the property
7 at a location outside this State."

8 SECTION 5. (a) There is established in the state treasury
9 the teacher temporary hazard pay special fund, into which shall
10 be deposited the additional revenues generated by:

11 (1) Excluding the sale of a motor vehicle to a lessor of
12 rental motor vehicles for use as a rental motor
13 vehicle as a sale at wholesale, pursuant to the
14 amendments made to section 237-4, Hawaii Revised
15 Statutes, by this Act; and



1 (b) Notwithstanding any law to the contrary, for fiscal
2 years 2026-2027, 2027-2028, 2028-2029, and 2029-2030, the
3 additional revenues generated, as described in subsection (a),
4 shall be deposited into the teacher temporary hazard pay special
5 fund. On July 1, 2030, the teacher temporary hazard pay special
6 fund shall be abolished, and any unencumbered remaining balances
7 shall lapse to the credit of the general fund. Thereafter, all
8 revenues generated by this Act shall be deposited into the
9 general fund.

10 (c) Moneys in the teacher temporary hazard pay special
11 fund shall be used to pay a temporary hazard pay bonus to each
12 eligible member of bargaining unit 5 in the total amount of
13 \$20,000 per employee. The bonus shall be distributed in four
14 equal installments of \$5,000, to be paid as follows:



3 (d) To be eligible for temporary hazard pay bonus funds
4 from the teacher temporary hazard pay special fund, a state
5 officer or employee shall have been employed as a member of
6 bargaining unit (5) between March 4, 2020, and March 25, 2022.

12 SECTION 6. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 7. This Act shall take effect on July 1, 2026;
15 provided that section 5 shall be repealed on July 1, 2030.

16

INTRODUCED BY:



JAN 23 2026



H.B. NO. 1937

Report Title:

General Excise Tax; Use Tax; Rental Motor Vehicles; Teacher Temporary Hazard Pay Special Fund

Description:

Excludes the sale of a motor vehicle to a lessor of rental motor vehicles for use as a rental motor vehicle as a sale at wholesale. Imposes the maximum allowable excise tax on the use of tangible personal property in the State for the importation or purchase of a motor vehicle by a lessor of rental motor vehicles for use as a rental motor vehicle. Establishes a Teacher Temporary Hazard Pay Special Fund to pay a temporary hazard pay bonus to certain eligible teachers. Beginning 7/1/2026 until 7/1/2030, deposits the additional tax revenue generated by this Act into the Teacher Temporary Hazard Pay Special Fund.

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