

JAN 21 2026

S.B. NO. 2394

---

# 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           (ii) In the context of a service-to-service  
2           transaction, a service is rendered upon the  
3           order or request of a licensed seller for  
4           the purpose of rendering another service in  
5           the course of the seller's service business  
6           or calling, including a dealer's furnishing  
7           of goods or services to the purchaser of  
8           tangible personal property to fulfill a  
9           warranty obligation of the manufacturer of  
10          the property;

11          (ii) In the context of a service-to-tangible  
12          personal property transaction, a service is  
13          rendered upon the order or request of a  
14          licensed seller for the purpose of  
15          manufacturing, producing, or preparing  
16          tangible personal property to be sold;

17          (iii) In the context of a services-to-contracting  
18          transaction, a service is rendered upon the  
19          order or request of a licensed contractor as  
20          defined in section 237-6 for the purpose of  
21          assisting that licensed contractor; or





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



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

5 (13) Sales of amusements subject to taxation under section  
6 237-13(4) to a licensed seller engaging in a business  
7 or calling whenever:

8 (A) Either:

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

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

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



1 the order or request of a licensed seller  
2 for the purpose of rendering another  
3 amusement in the course of the person's  
4 amusement business;

5 (B) The benefit of the amusement passes to the  
6 customer of the licensed seller as an  
7 identifiable element of the other service,  
8 tangible personal property to be sold, or  
9 amusement;

10 (C) The cost of the amusement does not constitute  
11 overhead to the licensed seller;

12 (D) The gross income of the licensed seller is not  
13 divided between the licensed seller and another  
14 licensed seller, person furnishing transient  
15 accommodations, or person rendering an amusement  
16 for imposition of the tax under chapter 237;

17 (E) The gross income of the licensed seller is not  
18 subject to a deduction under this chapter; and

19 (F) The resale of the service, tangible personal  
20 property, or amusement is subject to the tax  
21 imposed under this chapter at the highest rate.



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



1           (3) In all other cases, four per cent of the value of the  
2           property.

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

16          (2) Imposing the maximum allowable excise tax on the use  
17           of tangible personal property in the State for the  
18           importation or purchase of a motor vehicle by a less  
19           of rental motor vehicles for use as a rental motor  
20           vehicle, pursuant to the amendments made to section  
21           238-2, Hawaii Revised Statutes, by this Act.



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:

15 (1) The first installment of \$5,000 shall be paid no later  
16 than June 30, 2027;

17 (2) The second installment of \$5,000 shall be paid no  
18 later than June 30, 2028;

19 (3) The third installment of \$5,000 shall be paid no later  
20 than June 30, 2029; and



(4) The fourth installment of \$5,000 shall be paid no later than June 30, 2030.

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

(e) Except as to administrative expenditures, and except as otherwise provided by law, expenditures from the teacher temporary hazard pay special fund administered by the department of education may be made by the department without appropriation or allotment of the legislature.

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

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

INTRODUCED BY:




# S.B. NO. 2394

**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.

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

