

**ACT 26**

S. B. 207.

A Bill for an Act Relating to the Exemption of Cooperative Housing Corporations Under the General Excise Tax Law and Amending Chapter 117, Revised Laws of Hawaii 1955, as Amended.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. This Act is hereby declared to be an urgency measure deemed necessary in the public interest within the meaning of section 11 of Article III of the Constitution of the State of Hawaii.

The following is a statement of the facts constituting such urgency:

During the 1965 and 1967 general sessions, the legislature made certain amendments to subsection (p) of section 117-21 Revised Laws of Hawaii 1955, as amended, to clarify the original intent of the General Excise Tax Law to exempt from general excise taxes cooperative housing corporations organized with the sole objective of permitting their stockholders to share in the cost of purchasing, operating and maintaining land and improvements for residential purposes. These amendments were not successful in effecting the intended clarification and have resulted in disputes between the director of taxation and such corporations concerning their application. It is urgent and

in the public interest that a further clarification be made to avoid the expense and inconvenience both to the State and to such corporations of unnecessary litigation to determine the legislative intent of the statute.

SECTION 2. Subsection (p) of section 117-21 Revised Laws of Hawaii 1955, as amended, is hereby amended to read as follows:

“(p) Amounts received by a cooperative housing corporation from its shareholders in reimbursement of funds paid by such corporation for lease rental, real property taxes and other expenses of operating and maintaining the cooperative land and improvements, provided that such a cooperative corporation is a corporation:

(1) having one and only one class of stock outstanding.

(2) each of the stockholders of which is entitled solely by reason of his ownership of stock in the corporation, to occupy for dwelling purposes a house, or an apartment in a building owned or leased by the corporation.

(3) no stockholder of which is entitled (either conditionally or unconditionally) to receive any distribution not out of earnings and profits of the corporation except in a complete or partial liquidation of the corporation.”

SECTION 3. This Act shall take effect upon its approval.

(Approved May 7, 1968.)