

A Bill for an Act Relating to General Excise Tax.

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

SECTION 1. The legislature finds that SMG is the operator under contract with the Hawaii tourism authority to operate the Hawaii convention center. As such, the operator is paid only \$500,000 to operate and market the Hawaii convention center but recently received \$16,000,000 in advances for the costs of operating and marketing the Hawaii convention center. The department of taxation considers the reimbursement of the \$16,000,000 in costs and advances to the operator as gross income on which the general excise tax is to be levied, in the amount of \$700,000, because the operator receives additional monetary consideration in the form of the \$500,000 payment. In effect, this means that \$700,000 of the costs and advances cannot be used for operating and marketing the Hawaii convention center. However, pursuant to section 201B-8(b), Hawaii Revised Statutes, the costs and advances for the operation and marketing of the Hawaii convention center is an obligation of the convention center enterprise special fund and not compensation for personal services to the operator.

Accordingly, the purpose of this Act is to exempt from the general excise tax, amounts received by the operator of the Hawaii convention center for reimbursement of costs or advances made pursuant to contract with the Hawaii tourism authority.

SECTION 2. Section 237-24.75, Hawaii Revised Statutes, is amended to read as follows:

“~~[[§237-24.75]]~~ **Additional exemptions.** In addition to the amounts exempt under section 237-24, this chapter shall not apply to ~~[amounts]~~:

- (1) Amounts received as a beverage container deposit collected under chapter 342G, part VIII[-]; and
- (2) Amounts received by the operator of the Hawaii convention center for reimbursement of costs or advances made pursuant to a contract with the Hawaii tourism authority under section 201B-7.’’

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval, and shall apply to gross income or gross proceeds received after the effective date of this Act.

(Approved June 13, 2007.)