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# A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

1           SECTION 1. Section 237-24.7, Hawaii Revised Statutes, is  
2 amended to read as follows:

3           "**§237-24.7 Additional amounts not taxable.** In addition to  
4 the amounts not taxable under section 237-24, this chapter shall  
5 not apply to:

6           (1) Amounts received by the operator of a hotel from the  
7 owner of the hotel in amounts equal to and which are  
8 disbursed by the operator for employee wages,  
9 salaries, payroll taxes, insurance premiums, and  
10 benefits, including retirement, vacation, sick pay,  
11 and health benefits. As used in this paragraph:

12                   "Employee" means employees directly engaged in  
13 the day-to-day operation of the hotel and employed by  
14 the operator.

15                   "Hotel" means an operation as defined in section  
16 445-90.



1 "Operator" means any person who, pursuant to a  
2 written contract with the owner of a hotel, operates  
3 or manages the hotel for the owner.

4 "Owner" means the fee owner or lessee under a  
5 recorded lease of a hotel;

6 (2) Amounts received by the operator of a county  
7 transportation system operated under an operating  
8 contract with a political subdivision, where the  
9 political subdivision is the owner of the county  
10 transportation system. As used in this paragraph:

11 "County transportation system" means a mass  
12 transit system of motorized buses providing regularly  
13 scheduled transportation within a county.

14 "Operating contract" or "contract" means a  
15 contract to operate and manage a political  
16 subdivision's county transportation system, which  
17 provides that:

18 (A) The political subdivision shall exercise  
19 substantial control over all aspects of the  
20 operator's operation;



- 1 (B) The political subdivision controls the  
2 development of transit policy, service  
3 planning, routes, and fares; and
- 4 (C) The operator develops in advance a draft  
5 budget in the same format as prescribed for  
6 agencies of the political subdivision. The  
7 budget [~~must~~] shall be subject to the same  
8 constraints and controls regarding the  
9 lawful expenditure of public funds as any  
10 public sector agency, and deviations from  
11 the budget [~~must~~] shall be subject to  
12 approval by the appropriate political  
13 subdivision officials involved in the  
14 budgetary process.

15 "Operator" means any person who, pursuant to an  
16 operating contract with a political subdivision,  
17 operates or manages a county transportation system.

18 "Owner" means a political subdivision that owns  
19 or is the lessee of all the properties and facilities  
20 of the county transportation system (including buses,  
21 real estate, parking garages, fuel pumps, maintenance



1 equipment, office supplies, etc.), and that owns all  
2 revenues derived therefrom;

3 (3) Amounts received by the operator of the Hawaii  
4 convention center for reimbursement of costs or  
5 advances made under a contract with the Hawaii tourism  
6 authority pursuant to section 201B-7(a)(7);

7 [~~(3)~~] (4) Surcharge taxes on rental motor vehicles imposed  
8 by chapter 251 and passed on and collected by persons  
9 holding certificates of registration under that  
10 chapter;

11 [~~(4)~~] (5) Amounts received by the operator of orchard  
12 properties from the owner of the orchard property in  
13 amounts equal to and which are disbursed by the  
14 operator for employee wages, salaries, payroll taxes,  
15 insurance premiums, and benefits, including  
16 retirement, vacation, sick pay, and health benefits.

17 As used in this paragraph:

18 "Employee" means an employee directly engaged in  
19 the day-to-day operations of the orchard properties  
20 and employed by the operator.

21 "Operator" means a producer who, pursuant to a  
22 written contract with the owner of the orchard



1 property, operates or manages the orchard property for  
2 the owner where the property contains an area  
3 sufficient to make the undertaking economically  
4 feasible.

5 "Orchard property" means any real property that  
6 is used to raise trees with a production life cycle of  
7 fifteen years or more producing fruits or nuts having  
8 a normal period of development from the initial  
9 planting to the first commercially saleable harvest of  
10 not less than three years.

11 "Owner" means a fee owner or lessee under a  
12 recorded lease of orchard property;

13 [~~(5)~~] (6) Taxes on nursing facility income imposed by  
14 chapter 346E and passed on and collected by operators  
15 of nursing facilities;

16 [~~(6)~~] (7) Amounts received under property and casualty  
17 insurance policies for damage or loss of inventory  
18 used in the conduct of a trade or business located  
19 within the State or a portion thereof that is declared  
20 a natural disaster area by the governor pursuant to  
21 section 209-2;



- 1        [~~(7)~~] (8) Amounts received as compensation by community  
2                    organizations, school booster clubs, and nonprofit  
3                    organizations under a contract with the chief election  
4                    officer for the provision and compensation of precinct  
5                    officials and other election-related personnel,  
6                    services, and activities, pursuant to section 11-5;
- 7        [~~(8)~~] (9) Interest received by a person domiciled outside  
8                    the State from a trust company (as defined in section  
9                    412:8-101) acting as payment agent or trustee on  
10                    behalf of the issuer or payees of an interest bearing  
11                    instrument or obligation, if the interest would not  
12                    have been subject to tax under this chapter if paid  
13                    directly to the person domiciled outside the State  
14                    without the use of a paying agent or trustee; provided  
15                    that if the interest would otherwise be taxable under  
16                    this chapter if paid directly to the person domiciled  
17                    outside the State, it shall not be exempt solely  
18                    because of the use of a Hawaii trust company as a  
19                    paying agent or trustee;
- 20        [~~(9)~~] (10) Amounts received by a management company from  
21                    related entities engaged in the business of selling  
22                    interstate or foreign common carrier



1 telecommunications services in amounts equal to and  
2 which are disbursed by the management company for  
3 employee wages, salaries, payroll taxes, insurance  
4 premiums, and benefits, including retirement,  
5 vacation, sick pay, and health benefits. As used in  
6 this paragraph:

7 "Employee" means employees directly engaged in  
8 the day-to-day operation of related entities engaged  
9 in the business of selling interstate or foreign  
10 common carrier telecommunications services and  
11 employed by the management company.

12 "Management company" means any person who,  
13 pursuant to a written contract with a related entity  
14 engaged in the business of selling interstate or  
15 foreign common carrier telecommunications services,  
16 provides managerial or operational services to that  
17 entity.

18 "Related entities" means:

- 19 (A) An affiliated group of corporations within  
20 the meaning of section 1504 (with respect to  
21 affiliated group defined) of the federal  
22 Internal Revenue Code of 1986, as amended;



- 1 (B) A controlled group of corporations within  
2 the meaning of section 1563 (with respect to  
3 definitions and special rules) of the  
4 federal Internal Revenue Code of 1986, as  
5 amended;
- 6 (C) Those entities connected through ownership  
7 of at least eighty per cent of the total  
8 value and at least eighty per cent of the  
9 total voting power of each such entity (or  
10 combination thereof), including  
11 partnerships, associations, trusts, S  
12 corporations, nonprofit corporations,  
13 limited liability partnerships, or limited  
14 liability companies; and
- 15 (D) Any group or combination of the entities  
16 described in paragraph (C) constituting a  
17 unitary business for income tax purposes;  
18 whether or not the entity is located within or without  
19 the State or licensed under this chapter; and
- 20 [~~10~~] (11) Amounts received as grants under section 206M-  
21 15."





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

3 SECTION 3. This Act shall take effect on July 1, 2020.



HB1922

HD1

**Report Title:**

GET; Hawaii Convention Center; Hawaii Tourism Authority

**Description:**

Exempts from the general excise tax, amounts received by the operator of the Hawaii Convention Center for reimbursement of costs or advances made under an operating contract with the Hawaii Tourism Authority. (HB1922 HD1)

HB1922 HD1 HMS 2006-2304

