
A BILL FOR AN ACT

GENERAL EXCISE TAX; EXEMPTION FOR RELATED ENTITIES.

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

1 SECTION 1. Section 237-23.5, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) This chapter shall not apply to amounts received,
4 charged, or attributable to services furnished by one related
5 entity to another related entity or to imputed or stated
6 interest attributable to loans, advances, or use of capital
7 between related entities.

8 As used in this subsection:

9 "Indirect ownership" shall be as provided as in section 267
10 of the Internal Revenue Code of 1986, as amended.

11 "Related entities" means:

12 (1) An affiliated group of corporations within the meaning
13 of section 1504 (with respect to affiliated group
14 defined) of the federal Internal Revenue Code of 1986,
15 as amended;

16 (2) A controlled group of corporations within the meaning
17 of section 1563 (with respect to definitions and
18 special rules) of the federal Internal Revenue Code of



1 1986, as amended;

2 (3) Those entities connected, through either direct or
3 indirect ownership of at least eighty per cent of the
4 total value and at least eighty per cent of the total
5 voting power of each such entity (or combination
6 thereof), including partnerships, associations,
7 trusts, S corporations, nonprofit corporations,
8 limited liability partnerships, or limited liability
9 companies; and

10 (4) Any group or combination of the entities described in
11 paragraph (3) constituting a unitary business for
12 income tax purposes;

13 whether or not the entity is located within or without the State
14 or licensed under this chapter.

15 "Services" means legal and accounting services, the use of
16 computer software and hardware, information technology services,
17 database management, and those managerial and administrative
18 services performed by an employee, officer, partner, trustee,
19 sole proprietor, member, or manager in the person's capacity as
20 an employee, officer, partner, trustee, sole proprietor, member,
21 or manager of one of the related entities and shall include
22 overhead costs attributable to those services."

1 SECTION 2. New statutory material is underscored.

2 SECTION 3. This Act shall apply to gross income or gross

3 proceeds received after June 30, 2006.



Report Title:

General Excise Tax; Exemption For Related Entities

Description:

Clarifies that the definition of related entities includes entities related indirectly as well as directly. (SD1)

