
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 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 be subject to approval by
- 12 the appropriate political subdivision
- 13 officials involved in the budgetary process.

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

17 "Owner" means a political subdivision that owns
18 or is the lessee of all the properties and facilities
19 of the county transportation system (including buses,
20 real estate, parking garages, fuel pumps, maintenance
21 equipment, office supplies, etc.), and that owns all
22 revenues derived therefrom;

1 (3) Surcharge taxes on rental motor vehicles imposed by
2 chapter 251 and passed on and collected by persons
3 holding certificates of registration under that
4 chapter;

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

12 "Employee" means an employee directly engaged in
13 the day-to-day operations of the orchard properties
14 and employed by the operator.

15 "Operator" means a producer who, pursuant to a
16 written contract with the owner of the orchard
17 property, operates or manages the orchard property for
18 the owner where the property contains an area
19 sufficient to make the undertaking economically
20 feasible.

21 "Orchard property" means any real property that
22 is used to raise trees with a production life cycle of



1 fifteen years or more producing fruits or nuts having
2 a normal period of development from the initial
3 planting to the first commercially saleable harvest of
4 not less than three years.

5 "Owner" means a fee owner or lessee under a
6 recorded lease of orchard property;

7 (5) Taxes on nursing facility income imposed by chapter
8 346E and passed on and collected by operators of
9 nursing facilities;

10 (6) Amounts received under property and casualty insurance
11 policies for damage or loss of inventory used in the
12 conduct of a trade or business located within the
13 State or a portion thereof that is declared a natural
14 disaster area by the governor pursuant to section
15 209-2;

16 (7) Amounts received as compensation by community
17 organizations, school booster clubs, and nonprofit
18 organizations under a contract with the chief election
19 officer for the provision and compensation of precinct
20 officials and other election-related personnel,
21 services, and activities, pursuant to section 11-5;



- 1 (8) Interest received by a person domiciled outside the
2 State from a trust company (as defined in section
3 412:8-101) acting as payment agent or trustee on
4 behalf of the issuer or payees of an interest bearing
5 instrument or obligation, if the interest would not
6 have been subject to tax under this chapter if paid
7 directly to the person domiciled outside the State
8 without the use of a paying agent or trustee; provided
9 that if the interest would otherwise be taxable under
10 this chapter if paid directly to the person domiciled
11 outside the State, it shall not be exempt solely
12 because of the use of a Hawaii trust company as a
13 paying agent or trustee;
- 14 (9) Amounts received by a management company from related
15 entities engaged in the business of selling interstate
16 or foreign common carrier telecommunications services
17 in amounts equal to and which are disbursed by the
18 management company for employee wages, salaries,
19 payroll taxes, insurance premiums, and benefits,
20 including retirement, vacation, sick pay, and health
21 benefits. As used in this paragraph:

1 "Employee" means employees directly engaged in
2 the day-to-day operation of related entities engaged
3 in the business of selling interstate or foreign
4 common carrier telecommunications services and
5 employed by the management company.

6 "Management company" means any person who,
7 pursuant to a written contract with a related entity
8 engaged in the business of selling interstate or
9 foreign common carrier telecommunications services,
10 provides managerial or operational services to that
11 entity.

12 "Related entities" means:

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

17 (B) A controlled group of corporations within
18 the meaning of section 1563 (with respect to
19 definitions and special rules) of the
20 federal Internal Revenue Code of 1986, as
21 amended;



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

10 (D) Any group or combination of the entities
11 described in paragraph (C) constituting a
12 unitary business for income tax purposes;
13 whether or not the entity is located within or without
14 the State or licensed under this chapter; ~~and~~

15 (10) Amounts received as grants under section 206M-15[+];
16 and

17 (11) Amounts received as rental income from a land lease
18 agreement; provided that the lessee is actively
19 engaged in farming and using the land for a use that
20 would be permissible in an agricultural district under
21 section 205-4.5. As used in this paragraph:



1 "Actively engaged in farming" means using land
 2 for commercial farming purposes, which shall be
 3 confirmed by a federal or state tax filing submitted
 4 within the past two years or any other evidence that
 5 the department deems appropriate."

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

8 SECTION 3. This Act, upon its approval, shall apply to
 9 taxable years beginning after December 31, 2005.

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INTRODUCED BY:

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SB2099

Report Title:

General Excise Tax; Farming Rental Income; Exemption

Description:

Provides a general excise tax exemption for rental income collected from a lessee that is actively engaged in farming.

