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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 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           "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 shall take effect on July 1, 2050 and  
9 shall apply to taxable years beginning after December 31, 2050.

SB2098, SD1

**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.

(SD1)

