
A BILL FOR AN ACT

RELATING TO STREAMLINED SALES AND USE TAX.

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

1 SECTION 1. The purpose of this Act is to adopt changes to
2 Hawaii's tax law that will allow Hawaii to participate in the
3 streamlined sales and use tax agreement. By enacting the Hawaii
4 Simplified Sales and Use Tax Administration Act, Act 173,
5 Session Laws of Hawaii 2003, the State of Hawaii became a
6 participating member of the National Streamlined Sales Tax
7 Project.

8 In furtherance of the State's efforts to comply with the
9 terms and conditions of the conforming legislation reflected in
10 the streamlined sales tax project's model agreement and act, the
11 Hawaii state legislature enacted Act 3, Special Session Laws of
12 Hawaii 2005. Act 3, in part, establishes a technical advisory
13 group to assist the state department of taxation in identifying
14 and resolving issues necessary for Streamlined Sales Tax Project
15 compliance. In addition, a joint house-senate legislative
16 oversight committee has been formed to provide additional tax
17 policy support and guidance. This Act is a culmination of these
18 efforts.



1 In order to participate in the streamlined sales and use
2 tax agreement, Hawaii must amend its tax law in conformity with
3 the streamlined sales and use tax agreement. To conform, Hawaii
4 must adopt a single rate of general excise tax, Hawaii's
5 substitute for a sales tax. In accordance with advice received
6 from the Streamlined Sales Tax Governing Board and COST, a
7 national organization representing businesses, this was
8 accomplished by:

- 9 (1) Moving the one-half of one per cent tax rate for
10 wholesale transactions to a new chapter;
- 11 (2) Adding a new chapter on the taxation of imports of
12 property, services, and contracting;
- 13 (3) Moving the 0.15 per cent tax on insurance producers to
14 a new chapter; and
- 15 (4) Eliminating the tax on businesses owned by disabled
16 persons.

17 This Act also provides for destination-based sourcing and
18 amnesty.

19 SECTION 2. The Hawaii Revised Statutes is amended by
20 adding a new chapter to be appropriately designated and to read
21 as follows:



1 "CHAPTER

2 TAX ON WHOLESALERS, SERVICE BUSINESSES, AND CONTRACTORS

3 SA-1 Definitions; "business", "gross income". The
4 definitions contained in sections 237-1, 237-2 and 237-3 shall
5 apply to this chapter.

6 SA-2 "Wholesaler" and "jobber" defined. (a) "Wholesaler"
7 or "jobber" applies only to a person making sales at wholesale.
8 Only the following are sales at wholesale:

- 9 (1) Sales to a licensed retail merchant, jobber, or other
10 licensed seller for purposes of resale;
- 11 (2) Sales to a licensed manufacturer of materials or
12 commodities that are to be incorporated by the
13 manufacturer into a finished or saleable product
14 (including the container or package in which the
15 product is contained) during the course of its
16 preservation, manufacture, or processing, including
17 preparation for market, and that will remain in a
18 finished or saleable product in a form as to be
19 perceptible to the senses, which finished or saleable
20 product is to be sold and not otherwise used by the
21 manufacturer;



1 (3) Sales to a licensed producer or cooperative
2 association of materials or commodities that are to be
3 incorporated by the producer or by the cooperative
4 association into a finished or saleable product that
5 is to be sold and not otherwise used by the producer
6 or cooperative association, including specifically
7 materials or commodities expended as essential to the
8 planting, growth, nurturing, and production of
9 commodities that are sold by the producer or by the
10 cooperative association;

11 (4) Sales to a licensed contractor, of materials or
12 commodities that are to be incorporated by the
13 contractor into the finished work or project required
14 by the contract and that will remain in a finished
15 work or project in a form as to be perceptible to the
16 senses;

17 (5) Sales to a licensed producer, or to a cooperative
18 association described in section 237-23(a)(7) for sale
19 to a licensed producer, or to a licensed person
20 operating a feed lot, of poultry or animal feed,
21 hatching eggs, semen, replacement stock, breeding
22 services for the purpose of raising or producing



1 animal or poultry products for disposition as
2 described in section A-3 or for incorporation into a
3 manufactured product as described in paragraph (2) or
4 for the purpose of breeding, hatching, milking, or egg
5 laying other than for the customer's own consumption
6 of the meat, poultry, eggs, or milk so produced;
7 provided that in the case of a feed lot operator, only
8 the segregated cost of the feed furnished by the feed
9 lot operator as part of the feed lot operator's
10 service to a licensed producer of poultry or animals
11 to be butchered or to a cooperative association
12 described in section 237-23(a)(7) of such licensed
13 producers shall be deemed to be a sale at wholesale;
14 and provided further that any amount derived from the
15 furnishing of feed lot services, other than the
16 segregated cost of feed, shall be deemed taxable at
17 the service business rate. This paragraph shall not
18 apply to the sale of feed for poultry or animals to be
19 used for hauling, transportation, or sports purposes;

20 (6) Sales to a licensed producer, or to a cooperative
21 association described in section 237-23(a)(7) for sale
22 to the producer, of seed or seedstock for producing



1 agricultural and aquacultural products, or bait for
2 catching fish (including the catching of bait for
3 catching fish), which agricultural and aquacultural
4 products or fish are to be disposed of as described in
5 section A-3 or to be incorporated in a manufactured
6 product as described in paragraph (2);

7 (7) Sales to a licensed producer, or to a cooperative
8 association described in section 237-23(a) (7) for sale
9 to a licensed producer; of polypropylene shade cloth;
10 of polyfilm; of polyethylene film; of cartons and
11 other containers, wrappers, and sacks, and binders to
12 be used for packaging eggs, vegetables, fruits, and
13 other agricultural and aquacultural products; of
14 seedlings and cuttings for producing nursery plants or
15 aquacultural products; or of chick containers; which
16 cartons and other containers, wrappers, and sacks,
17 binders, seedlings, cuttings, and containers are to be
18 used as described in section A-3, or to be
19 incorporated in a manufactured product as described in
20 paragraph (2);

21 (8) Sales of tangible personal property:



- 1 (A) To a licensed seller engaged in a service
- 2 business or calling; provided that:
- 3 (i) The property is not consumed or incidental
- 4 to the performance of the services;
- 5 (ii) There is a resale of the article at the
- 6 retail rate of four per cent; and
- 7 (iii) The resale of the article is separately
- 8 charged or billed by the person rendering
- 9 the services;

- 10 (B) Where:
- 11 (i) Tangible personal property is sold upon the
- 12 order or request of a licensed seller for
- 13 the purpose of rendering a service in the
- 14 course of the person's service business or
- 15 calling, or upon the order or request of a
- 16 person subject to tax under section 237D-2
- 17 for the purpose of furnishing transient
- 18 accommodations;
- 19 (ii) The tangible personal property becomes or is
- 20 used as an identifiable element of the
- 21 service rendered; and



1 (iii) The cost of the tangible personal property
2 does not constitute overhead to the licensed
3 seller; or

4 (C) Where the taxpayer is subject to both
5 subparagraphs (A) and (B), then the taxpayer
6 shall be taxed under subparagraph (A);

7 (9) Sales to a licensed leasing company of capital goods
8 that have a depreciable life, are purchased by the
9 leasing company for lease to its customers, and are
10 thereafter leased as a service to others;

11 (10) Sales of services to a licensed seller engaging in a
12 business or calling whenever:

13 (A) Either:

14 (i) In the context of a service-to-service
15 transaction, a service is rendered upon the
16 order or request of a licensed seller for
17 the purpose of rendering another service in
18 the course of the seller's service business
19 or calling;

20 (ii) In the context of a service-to-tangible
21 personal property transaction, a service is
22 rendered upon the order or request of a



1 licensed seller for the purpose of
2 manufacturing, producing, or preparing
3 tangible personal property to be sold;

4 (iii) In the context of a services-to-contracting
5 transaction, a service is rendered upon the
6 order or request of a licensed contractor as
7 defined in section 237-6 for the purpose of
8 assisting that licensed contractor; or

9 (iv) In the context of a services-to-transient
10 accommodations rental transaction, a service
11 is rendered upon the order or request of a
12 person subject to tax under section 237D-2
13 for the purpose of furnishing transient
14 accommodations;

15 (B) The benefit of the service passes to the customer
16 of the licensed seller, licensed contractor, or
17 person furnishing transient accommodations as an
18 identifiable element of the other service or
19 property to be sold, the contracting, or the
20 furnishing of transient accommodations;

21 (C) The cost of the service does not constitute
22 overhead to the licensed seller, licensed



- 1 contractor, or person furnishing transient
2 accommodations;
- 3 (D) The gross income of the licensed seller is not
4 divided between the licensed seller and another
5 licensed seller, contractor, or person furnishing
6 transient accommodations for imposition of the
7 tax under this chapter;
- 8 (E) The gross income of the licensed seller is not
9 subject to a deduction under this chapter or
10 chapter 237D; and
- 11 (F) The resale of the service, tangible personal
12 property, contracting, or transient
13 accommodations is subject to the tax imposed
14 under this chapter at the highest tax rate;
- 15 (11) Sales to a licensed retail merchant, jobber, or other
16 licensed seller of bulk condiments or prepackaged
17 single-serving packets of condiments that are provided
18 to customers by the licensed retail merchant, jobber,
19 or other licensed seller;
- 20 (12) Sales to a licensed retail merchant, jobber, or other
21 licensed seller of tangible personal property that
22 will be incorporated or processed by the licensed



1 retail merchant, jobber, or other licensed seller into
2 a finished or saleable product during the course of
3 its preparation for market (including disposable,
4 nonreturnable containers, packages, or wrappers, in
5 which the product is contained and that are generally
6 known and most commonly used to contain food or
7 beverage for transfer or delivery), and which finished
8 or saleable product is to be sold and not otherwise
9 used by the licensed retail merchant, jobber, or other
10 licensed seller;

11 (13) Sales of amusements subject to taxation under section
12 237-13(2) to a licensed seller engaging in a business
13 or calling whenever:

14 (A) Either:

15 (i) In the context of an amusement-to-service
16 transaction, an amusement is rendered upon
17 the order or request of a licensed seller
18 for the purpose of rendering another service
19 in the course of the seller's service
20 business or calling;

21 (ii) In the context of an amusement-to-tangible
22 personal property transaction, an amusement



1 is rendered upon the order or request of a
2 licensed seller for the purpose of selling
3 tangible personal property; or

4 (iii) In the context of an amusement-to-amusement
5 transaction, an amusement is rendered upon
6 the order or request of a licensed seller
7 for the purpose of rendering another
8 amusement in the course of the person's
9 amusement business;

10 (B) The benefit of the amusement passes to the
11 customer of the licensed seller as an
12 identifiable element of the other service,
13 tangible personal property to be sold, or
14 amusement;

15 (C) The cost of the amusement does not constitute
16 overhead to the licensed seller;

17 (D) The gross income of the licensed seller is not
18 divided between the licensed seller and another
19 licensed seller, person furnishing transient
20 accommodations, or person rendering an amusement
21 for imposition of the tax under chapter 237;



1 (E) The gross income of the licensed seller is not
2 subject to a deduction under this chapter; and

3 (F) The resale of the service, tangible personal
4 property, or amusement is subject to the tax
5 imposed under this chapter at the highest rate.

6 As used in this paragraph, "amusement" means
7 entertainment provided as part of a show for
8 which there is an admission charge; and

9 (14) Sales by a printer to a publisher of magazines or
10 similar printed materials containing advertisements,
11 when the publisher is under contract with the
12 advertisers to distribute a minimum number of
13 magazines or similar printed materials to the public
14 or defined segment of the public, whether or not there
15 is a charge to the persons who actually receive the
16 magazines or similar printed materials.

17 (b) If the use tax law is finally held by a court of
18 competent jurisdiction to be unconstitutional or invalid insofar
19 as it purports to tax the use or consumption of tangible
20 personal property imported into the State in interstate or
21 foreign commerce or both, wholesalers and jobbers shall be taxed
22 thereafter under this chapter in accordance with the following



1 definition (which shall supersede the preceding paragraph
2 otherwise defining "wholesaler" or "jobber"): "Wholesaler" or
3 "jobber" means a person, or a definitely organized division
4 thereof, definitely organized to render and rendering a general
5 distribution service that buys and maintains at the person's
6 place of business a stock or lines of merchandise that the
7 person distributes; and that the person, through salespersons,
8 advertising, or sales promotion devices, sells to licensed
9 retailers, to institutional or licensed commercial or industrial
10 users, in wholesale quantities and at wholesale rates. A
11 corporation deemed not to be carrying on a trade or business in
12 this State under section 235-6 shall nevertheless be deemed to
13 be a wholesaler and shall be subject to the tax imposed by this
14 chapter.

15 **SA-3 "Producer" defined.** (a) "Producer" means any person
16 engaged in the business of raising and producing agricultural
17 products in their natural state, or in producing natural
18 resource products, or engaged in the business of fishing or
19 aquaculture, for sale, or for shipment or transportation out of
20 the State, of the agricultural or aquaculture products in their
21 natural or processed state, or butchered and dressed, or the
22 natural resource products, or fish.



1 (b) As used in this section "agricultural products"
2 include floricultural, horticultural, viticultural, forestry,
3 nut, coffee, dairy, livestock, poultry, bee, animal, and any
4 other farm, agronomic, or plantation products.

5 **§A-4 Definitions; "contractor", "service business or**
6 **calling"**. The definitions contained in sections 237-6 and 237-
7 7 shall be applicable for this chapter.

8 **§A-5 Administrative provisions.** Sections 237-8, 237-9,
9 237-9.5, 237-11, and 237-12 shall be applicable for this
10 chapter.

11 **§A-6 Imposition of tax.** (a) There is hereby levied and
12 shall be assessed and collected annually privilege taxes against
13 persons on account of their business and other activities in the
14 State measured by the application of rates against values of
15 products, gross proceeds of sales, or gross income, whichever is
16 specified, as follows:

17 (1) Tax on manufacturers:

18 (A) Upon every person engaging or continuing within
19 the State in the business of manufacturing,
20 including compounding, canning, preserving,
21 packing, printing, publishing, milling,
22 processing, refining, or preparing for sale,



1 profit, or commercial use, either directly or
2 through the activity of others, in whole or in
3 part, any article or articles, substance or
4 substances, commodity or commodities, the amount
5 of the tax to be equal to the value of the
6 articles, substances, or commodities,
7 manufactured, compounded, canned, preserved,
8 packed, printed, milled, processed, refined, or
9 prepared for sale, as shown by the gross proceeds
10 derived from the sale thereof by the manufacturer
11 or person compounding, preparing, or printing
12 them, multiplied by one-half of one per cent;

13 (B) The measure of the tax on manufacturers is the
14 value of the entire product for sale, regardless
15 of the place of sale or the fact that deliveries
16 may be made to points outside the State;

17 (C) If any person liable for the tax on manufacturers
18 ships or transports the person's product, or any
19 part thereof, out of the State, whether in a
20 finished or unfinished condition, or sells the
21 same for delivery to points outside the State
22 (for example, consigned to a mainland purchaser



1 via common carrier f.o.b. Honolulu), the value of
2 the products in the condition or form in which
3 they exist immediately before entering interstate
4 or foreign commerce, determined as hereinafter
5 provided, shall be the basis for the assessment
6 of the tax imposed by this paragraph. This tax
7 shall be due and payable as of the date of entry
8 of the products into interstate or foreign
9 commerce, whether the products are then sold or
10 not. The department shall determine the basis
11 for assessment, as provided by this paragraph, as
12 follows:

13 (i) If the products at the time of their entry
14 into interstate or foreign commerce already
15 have been sold, the gross proceeds of sale,
16 less the transportation expenses, if any,
17 incurred in realizing the gross proceeds for
18 transportation from the time of entry of the
19 products into interstate or foreign
20 commerce, including insurance and storage in
21 transit, shall be the measure of the value
22 of the products;



1 (ii) If the products have not been sold at the
2 time of their entry into interstate or
3 foreign commerce, and in cases governed by
4 clause (i) in which the products are sold
5 under circumstances such that the gross
6 proceeds of sale are not indicative of the
7 true value of the products, the value of the
8 products constituting the basis for
9 assessment shall correspond as nearly as
10 possible to the gross proceeds of sales for
11 delivery outside the State, adjusted as
12 provided in clause (i), or if sufficient
13 data are not available, sales in the State,
14 of similar products of like quality and
15 character and in similar quantities, made by
16 the taxpayer (unless not indicative of the
17 true value) or by others. Sales outside the
18 State, adjusted as provided in clause (i),
19 may be considered when they constitute the
20 best available data. The department shall
21 prescribe uniform and equitable rules for
22 ascertaining the values;



1 (iii) At the election of the taxpayer and with the
2 approval of the department, the taxpayer may
3 make the taxpayer's returns under clause (i)
4 even though the products have not been sold
5 at the time of their entry into interstate
6 or foreign commerce; and

7 (iv) In all cases in which products leave the
8 State in an unfinished condition, the basis
9 for assessment shall be adjusted so as to
10 deduct the portion of the value as is
11 attributable to the finishing of the goods
12 outside the State;

13 (2) Tax on producers:

14 (A) Upon every person engaging or continuing within
15 this State in the business of a producer, the tax
16 shall be equal to one-half of one per cent of the
17 gross proceeds of sales of the business, or the
18 value of the products, for sale, if sold for
19 delivery outside the State or shipped or
20 transported out of the State, and the value of
21 the products shall be determined in the same



1 manner as the value of manufactured products

2 covered in the cases under paragraph (1) (C);

3 (3) No manufacturer or producer, engaged in the business
4 of manufacturing or producing in the State and selling
5 the manufacturer's or producer's products for delivery
6 outside of the State (for example, consigned to a
7 mainland purchaser via common carrier f.o.b.

8 Honolulu), shall be required to pay the tax imposed in
9 this chapter for the privilege of so selling the
10 products, and the value or gross proceeds of sales of
11 the products shall be included only in determining the
12 measure of the tax imposed upon the manufacturer or
13 producer;

14 (4) Tax upon theaters, amusements, radio broadcasting
15 stations, etc. Upon every person engaging or
16 continuing within the State in the business of
17 operating a theater, opera house, moving picture show,
18 vaudeville, amusement park, dance hall, skating rink,
19 radio broadcasting station, or any other place at
20 which amusements are offered to the public, at
21 wholesale;

22 (5) Tax on service business:



1 (A) Upon every person engaging or continuing within
2 the State in any service business or calling
3 including professional services not otherwise
4 specifically taxed under this chapter, as a
5 wholesaler described in section A-2, the tax
6 shall be equal to one-half of one per cent of the
7 gross income of the business;

8 (6) Tax on sales by wholesalers:

9 (A) Upon every person who is engaged in the business
10 of a wholesaler or jobber as described in section
11 A-2 of selling any tangible personal property
12 whatsoever (not including, however, bonds or
13 other evidences of indebtedness, or stocks),
14 there is hereby levied, and shall be assessed and
15 collected, a tax equivalent to one-half of one
16 per cent of the gross proceeds of sales of the
17 business as a wholesaler or jobber as defined in
18 section A-2;

19 (B) Gross proceeds of sales of tangible property in
20 interstate and foreign commerce shall constitute
21 a part of the measure of the tax imposed on
22 persons in the business of selling tangible



1 personal property as a wholesaler, to the extent,
2 under the conditions, and in accordance with the
3 provisions of the Constitution of the United
4 States and the Acts of Congress of the United
5 States that may be now in force or may be
6 hereafter adopted, and whenever there occurs in
7 the State an activity to which, under the
8 Constitution and Acts of Congress, there may be
9 attributed gross proceeds of sales, the gross
10 proceeds shall be so attributed.

11 (b) When a manufacturer or producer, engaged in business
12 in the State, also is engaged in selling the manufacturer's or
13 producer's products in the State at wholesale, taxed under this
14 chapter, retail, or in any other manner, the tax for the
15 privilege of engaging in the business of selling the products in
16 the State shall apply to the manufacturer or producer as well as
17 the tax for the privilege of manufacturing or producing in the
18 State, and the manufacturer or producer shall make the returns
19 of the gross proceeds of the wholesale, retail, or other sales
20 required for the privilege of selling in the State, as well as
21 making the returns of the value or gross proceeds of sales of
22 the products required for the privilege of manufacturing or



1 producing in the State. The manufacturer or producer shall pay
2 the tax imposed in this chapter for the privilege of selling its
3 products in the State, and the value or gross proceeds of sales
4 of the products, thus subjected to tax, may be deducted insofar
5 as duplicated as to the same products by the measure of the tax
6 upon the manufacturer or producer for the privilege of
7 manufacturing or producing in the State under this chapter;
8 provided that no producer of agricultural products who sells the
9 products to a purchaser who will process the products outside
10 the State shall be required to pay the tax imposed in this
11 chapter for the privilege of producing or selling those
12 products.

13 **§A-7 Resale certificates.** (a) The department, by rule,
14 may require that a seller take from the purchaser of tangible
15 personal property a certificate, in a form prescribed by the
16 department, certifying that the sale is a sale at wholesale;
17 provided that:

18 (1) Any purchaser who furnishes a certificate shall be
19 obligated to pay to the seller, upon demand, the
20 amount of the additional tax that is imposed upon the
21 seller whenever the sale in fact is not at wholesale;
22 and



1 (2) The absence of a certificate in itself shall give rise
2 to the presumption that the sale is not at wholesale
3 unless the sales of the business are exclusively at
4 wholesale.

5 (b) The department may require that the person rendering
6 an amusement at wholesale take from the licensed seller a
7 certificate, in a form prescribed by the department, certifying
8 that the sale is a sale at wholesale; provided that:

9 (1) Any licensed seller who furnishes a certificate shall
10 be obligated to pay to the person rendering the
11 amusement, upon demand, the amount of additional tax
12 that is imposed upon the seller whenever the sale is
13 not at wholesale; and

14 (2) The absence of a certificate in itself shall give rise
15 to the presumption that the sale is not at wholesale
16 unless the person rendering the sale is exclusively
17 rendering the amusement at wholesale.

18 (c) The department may require that the person rendering a
19 service at wholesale take from the licensed seller a
20 certificate, in a form prescribed by the department, certifying
21 that the sale is a sale at wholesale; provided that:



1 (1) Any licensed seller who furnishes a certificate shall
 2 be obligated to pay to the person rendering the
 3 service, upon demand, the amount of additional tax
 4 that is imposed upon the seller whenever the sale is
 5 not at wholesale; and

6 (2) The absence of a certificate in itself shall give rise
 7 to the presumption that the sale is not at wholesale
 8 unless the person rendering the sale is exclusively
 9 rendering services at wholesale.

10 **SA-8 Tax on receipts of sugar benefit payments.** Upon the
 11 amounts received from the United States government by any
 12 producer of sugar (or the producer's legal representative or
 13 heirs), as defined under and by virtue of the Sugar Act of 1948,
 14 as amended, or other Acts of the Congress of the United States
 15 relating thereto, there is hereby levied a tax of one-half of
 16 one per cent of the gross amount received; provided that the tax
 17 levied hereunder on any amount so received and actually
 18 disbursed to another by a producer in the form of a benefit
 19 payment shall be paid by the person or persons to whom the
 20 amount is actually disbursed, and the producer actually making a
 21 benefit payment to another shall be entitled to claim on the
 22 producer's return a deduction from the gross amount taxable



1 hereunder in the sum of the amount so disbursed. The amounts
2 taxed under this paragraph shall not be taxable under any other
3 paragraph, subsection, or section of this chapter.

4 **SA-9 Segregation of gross income, etc., on records and in**
5 **returns.** The imposition of taxes and the application of tax
6 rates do not depend upon the business in which the taxpayer is
7 primarily engaged. One business may be subject to two or more
8 tax rates. If a business is within the purview of two or more
9 of the paragraphs of section 237-13 or other provisions of this
10 chapter all of them apply, each provision being applicable to
11 the appropriate item of gross income, gross proceeds of sales,
12 or value of products. However, any person engaging or
13 continuing in a business having gross income, gross proceeds of
14 sales, and value of products, or any of these as the case may
15 be, taxable at different rates, shall be subject to taxation
16 upon the aggregate amount of the gross income, gross proceeds of
17 sales, and value of products of the business at the highest rate
18 applicable to any part of the aggregate, unless the person shall
19 segregate the parts taxable at different rates upon the person's
20 records and in the person's returns, and shall sustain the
21 burden of proving that the segregation was correctly made.



1 **SA-10 Assessment on generated electricity.** Any other
2 provision of law to the contrary notwithstanding, the levy and
3 assessment of tax on the gross proceeds from the sale of
4 electric power to a public utility company for resale to the
5 public, shall be made only as a tax on business of a producer,
6 at the rate assessed producers, under section A-6(a)(2).

7 **SA-11 Technicians.** When technicians supply dentists or
8 physicians with dentures, orthodontic devices, braces, and
9 similar items which have been prepared by the technician in
10 accordance with specifications furnished by the dentist or
11 physician, and these items are to be used by the dentist or
12 physician in the dentist's or physician's professional practice
13 for a particular patient who is to pay the dentist or physician
14 for the same as a part of the dentist's or physician's
15 professional services, the technician shall be taxed as though
16 the technician were a manufacturer selling a product to a
17 licensed retailer, rather than pursuant to chapter 237 at the
18 rate of four per cent that is generally applied to professions
19 and services.

20 **SA-12 Activity ordered by others.** (a) Where, through the
21 activity of a person taxable under section 237-13(5), a product
22 has been milled, processed, or otherwise manufactured upon the



1 order of another taxpayer who is a manufacturer taxable upon the
2 value of the entire manufactured products, which consists in
3 part of the value of the services taxable under section 237-
4 13(5), so much gross income as is derived from the rendering of
5 the services shall be subjected to tax on the person rendering
6 the services at the rate of one-half of one per cent, and the
7 value of the entire product shall be included in the measure of
8 the tax imposed on the other taxpayer as elsewhere provided.

9 (b) Where, through the activity of a person taxable under
10 section 237-13(5), there have been rendered to a cane planter
11 services consisting in the harvesting or hauling of the cane, or
12 consisting in road maintenance, under a contract between the
13 person rendering the services and the cane planter, covering the
14 services and also the milling of the sugar, the services of
15 harvesting and hauling the cane and road maintenance shall be
16 treated the same as the service of milling the cane, as provided
17 by subsection (a), and the value of the entire product,
18 manufactured or sold for the cane planter under the contract,
19 shall be included in the measure of the tax imposed on the
20 persons elsewhere provided.

21 **§A-13 Apportionment.** In the case of a tax upon the
22 production of property in the State, the apportionment shall be



1 determined as in the case of the tax on manufacturers provided
2 in section A-6(a)(1).

3 **SA-14 Conformity to constitution.** Section 237-22 shall
4 apply to this chapter.

5 **SA-15 Exemptions.** The exemptions provided in section 237-
6 23, 237-26, 237-27.5, 237-29, 237-29.5, and 237-29.53 shall
7 apply to this chapter.

8 **SA-16 Amounts not taxable.** This chapter shall not apply
9 to the following amounts:

- 10 (1) The amounts of taxes on cigarettes and tobacco
11 products imposed by chapter 245 on wholesalers or
12 dealers holding licenses under that chapter and
13 selling the products at wholesale;
- 14 (2) The amounts of federal taxes under chapter 37 of the
15 Internal Revenue Code, or similar federal taxes,
16 imposed on sugar manufactured in the State, paid by
17 the manufacturer to the federal government;
- 18 (3) Gross income received by any blind, deaf, or totally
19 disabled person engaging, or continuing, in any
20 business, trade, activity, occupation, or calling
21 within the State; a corporation all of whose
22 outstanding shares are owned by an individual or



1 individuals who are blind, deaf, or totally disabled;
2 a general, limited or limited liability partnership,
3 all of whose partners are blind, deaf, or totally
4 disabled; or a limited liability company, all of whose
5 members are blind, deaf, or totally disabled;

6 (4) Amounts received by a producer of sugarcane from the
7 manufacturer to whom the producer sells the sugarcane,
8 where:

9 (A) The producer is an independent cane farmer, so
10 classed by the Secretary of Agriculture under the
11 Sugar Act of 1948 (61 Stat. 922, Chapter 519) as
12 the Act may be amended or supplemented;

13 (B) The value or gross proceeds of sale of the sugar,
14 and other products manufactured from the
15 sugarcane, is included in the measure of the tax
16 levied on the manufacturer under section 237-
17 13(1);

18 (C) The producer's gross proceeds of sales are
19 dependent upon the actual value of the products
20 manufactured therefrom or the average value of
21 all similar products manufactured by the
22 manufacturer; and



1 (D) The producer's gross proceeds of sales are
2 reduced by reason of the tax on the value or sale
3 of the manufactured products.

4 **SA-17 Exemption for sale of tangible personal property for**

5 **resale at wholesale.** (a) There shall be exempted from, and
6 excluded from the measure of, the taxes imposed by this chapter
7 all of the gross proceeds or gross income arising from the sale
8 of tangible personal property imported to Hawaii from a foreign
9 or domestic source to a licensed taxpayer for subsequent resale
10 for the purpose of wholesale as defined under section A-2(a)(8).

11 (b) The department, by rule, may provide that a seller may
12 take from the purchaser of imported tangible personal property,
13 a certificate, in a form that the department shall prescribe,
14 certifying that the purchaser of the imported tangible personal
15 property shall resell the imported tangible personal property at
16 wholesale as defined under section A-2(a)(8). Any purchaser who
17 furnishes a certificate shall be obligated to pay to the seller,
18 upon demand, if the sale in fact is not a sale for the purpose
19 of resale at wholesale, the amount of the additional tax which
20 by reason thereof is imposed upon the seller. The absence of a
21 certificate, unless the sales of the business are exclusively a
22 sale for the purpose of resale at wholesale, in itself, shall



1 give rise to the presumption that the sale is not a sale for the
2 purpose of resale at wholesale.

3 **§A-18 Administrative provisions.** Sections 237-20, 237-21,
4 237-27, 237-30, 237-31, 237-32, 237-33, 237-33.5, 237-34, 237-
5 35, 237-36, 237-37, 237-38, 237-39, 237-40, 237-41, 237-42, 237-
6 43, 237-46, 237-47, 237-49, and 237-A through 237-F shall apply
7 to this chapter."

8 SECTION 3. The Hawaii Revised Statutes is amended by
9 adding a new chapter to be appropriately designated and to read
10 as follows:

11 "CHAPTER

12 **TAX ON IMPORT OF GOODS, SERVICES AND CONTRACTING FOR RESALE**

13 **§B-1 Definitions.** Definitions contained in section 238-1
14 shall apply to this chapter.

15 **§B-2 Imposition of tax on tangible personal property;**
16 **exemptions.** There is hereby levied an excise tax on the use in
17 this State of tangible personal property which is imported by a
18 taxpayer in this State whether owned, purchased from an
19 unlicensed seller, or however acquired for use in this State.
20 The tax imposed by this chapter shall accrue when the property
21 is acquired by the importer or purchaser and becomes subject to



1 the taxing jurisdiction of the State. The rates of the tax
2 hereby imposed and the exemptions thereof are as follows:

3 (1) If the importer or purchaser is licensed under chapter
4 A and is:

5 (A) A wholesaler or jobber importing or purchasing
6 for purposes of sale or resale; or

7 (B) A manufacturer importing or purchasing material
8 or commodities that are to be incorporated by the
9 manufacturer into a finished or saleable product
10 (including the container or package in which the
11 product is contained) wherein it will remain in a
12 form as to be perceptible to the senses, and the
13 finished or saleable product is to be sold in a
14 manner as to result in a further tax on the
15 activity of the manufacturer as the manufacturer
16 or as a wholesaler, and not as a retailer;

17 there shall be no tax; provided that if the
18 wholesaler, jobber, or manufacturer is also engaged in
19 business as a retailer (so classed under chapter 237),
20 paragraph (2) shall apply to the wholesaler, jobber,
21 or manufacturer, but the director of taxation shall
22 refund to the wholesaler, jobber, or manufacturer, in



1 the manner provided under section 231-23(c) the amount
2 of tax as the wholesaler, jobber, or manufacturer
3 shall establish, to the satisfaction of the director,
4 to have been paid by the wholesaler, jobber, or
5 manufacturer to the director with respect to property
6 that has been used by the wholesaler, jobber, or
7 manufacturer for the purposes stated in this
8 paragraph;

9 (2) If the importer or purchaser is licensed under chapter
10 237 and is:

11 (A) A retailer or other person importing or
12 purchasing for purposes of sale or resale, not
13 exempted by paragraph (1);

14 (B) A manufacturer importing or purchasing material
15 or commodities that are to be incorporated by the
16 manufacturer into a finished or saleable product
17 (including the container or package in which the
18 product is contained) wherein it will remain in a
19 form as to be perceptible to the senses, and the
20 finished or saleable product is to be sold at
21 retail in this State, in a manner as to result in



1 a further tax on the activity of the manufacturer
2 in selling the products at retail;

3 (C) A contractor importing or purchasing material or
4 commodities that are to be incorporated by the
5 contractor into the finished work or project
6 required by the contract and that will remain in
7 the finished work or project in a form as to be
8 perceptible to the senses;

9 (D) A person engaged in a service business or calling
10 as defined in section 237-7, or a person
11 furnishing transient accommodations subject to
12 the tax imposed by section 237D-2, in which the
13 import or purchase of tangible personal property
14 would have qualified as a sale at wholesale as
15 defined in section A-2(a)(8) had the seller of
16 the property been subject to the tax in chapter
17 237; or

18 (E) A publisher of magazines or similar printed
19 materials containing advertisements, when the
20 publisher is under contract with the advertisers
21 to distribute a minimum number of magazines or
22 similar printed materials to the public or



1 defined segment of the public, whether or not
2 there is a charge to the persons who actually
3 receive the magazines or similar printed
4 materials,
5 the tax shall be one-half of one per cent of the
6 purchase price of the property, if the purchase and
7 sale are consummated in Hawaii; or, if there is no
8 purchase price applicable thereto, or if the purchase
9 or sale is consummated outside of Hawaii, then one-
10 half of one per cent of the value of the property.

§B-3 Imposition of tax on imported services or

12 contracting; exemptions. There is hereby levied an excise tax
13 on the value of services or contracting as defined in section
14 237-6 that are performed by an unlicensed seller at a point
15 outside the State and imported or purchased for use in this
16 State. The tax imposed by this chapter shall accrue when the
17 service or contracting as defined in section 237-6 is received
18 by the importer or purchaser and becomes subject to the taxing
19 jurisdiction of the State. The rates of the tax hereby imposed
20 and the exemptions from the tax are as follows:

- 21 (1) If the importer or purchaser is licensed under chapter
- 22 237 and is:



1 (A) Engaged in a service business or calling in which
2 the imported or purchased services or contracting
3 become identifiable elements, excluding overhead,
4 of the services rendered by the importer or
5 purchaser, and the gross income of the importer
6 or purchaser is subject to the tax imposed under
7 chapter A on services at the rate of one-half of
8 one per cent; or
9 (B) A manufacturer importing or purchasing services
10 or contracting that become identifiable elements,
11 excluding overhead, of a finished or saleable
12 product (including the container or package in
13 which the product is contained) and the finished
14 or saleable product is to be sold in a manner
15 that results in a further tax on the manufacturer
16 as a wholesaler, and not a retailer;
17 there shall be no tax imposed on the value of the
18 imported or purchased services or contracting;
19 provided that if the manufacturer is also engaged in
20 business as a retailer as classified under chapter
21 237, paragraph (2) shall apply to the manufacturer,
22 but the director of taxation shall refund to the



1 manufacturer, in the manner provided under section
2 231-23(c), that amount of tax that the manufacturer,
3 to the satisfaction of the director, shall establish
4 to have been paid by the manufacturer to the director
5 with respect to services that have been used by the
6 manufacturer for the purposes stated in this
7 paragraph;

8 (2) If the importer or purchaser is a person licensed
9 under chapter 237 and is:

10 (A) Engaged in a service business or calling in which
11 the imported or purchased services or contracting
12 become identifiable elements, excluding overhead,
13 of the services rendered by the importer or
14 purchaser, and the gross income from those
15 services when sold by the importer or purchaser
16 is subject to the tax imposed under chapter 237;

17 (B) A manufacturer importing or purchasing services
18 or contracting that become identifiable elements,
19 excluding overhead, of the finished or saleable
20 manufactured product (including the container or
21 package in which the product is contained) and
22 the finished or saleable product is to be sold in



1 a manner that results in a further tax under
2 chapter 237 on the activity of the manufacturer
3 as a retailer; or

4 (C) A contractor importing or purchasing services or
5 contracting that become identifiable elements,
6 excluding overhead, of the finished work or
7 project required, under the contract, and where
8 the gross proceeds derived by the contractor are
9 subject to the tax under section 237-13(2) as a
10 contractor;

11 the tax shall be one-half of one per cent of the value
12 of the imported or purchased services or contracting.

13 **SB-4 Application of tax, etc.** Section 238-3 shall apply
14 to this chapter.

15 **SB-5 Certain property used by producers.** If a licensed
16 producer, or a cooperative association acting under the
17 authority of chapter 421 or 422, in order to sell to the
18 producer, or a licensed person, imports into the State or
19 acquires in the State commodities, materials, items, services,
20 or living things enumerated in section A-2(a)(3) and (a)(5) to
21 (a)(7), then section A-2 shall apply. If section A-2 applies
22 and the producer is engaged in the sale of the producer's



1 products at retail or in any manner other than at wholesale,
2 then the tax upon use of property in the State imposed by
3 section 238-2 shall apply the same as in the case of a purchaser
4 who is a licensed retailer. In other cases no tax shall be
5 imposed under this chapter.

6 **SB-6 Administration.** Sections 238-5, 238-6, 238-7, 238-8,
7 238-9, 238-9.5, 238-10, 238-11, 238-13, 238-14 and 238-16 shall
8 apply to this chapter."

9 SECTION 4. The Hawaii Revised Statutes is amended by
10 adding a new chapter to be appropriately designated and to read
11 as follows:

12 "CHAPTER

13 INSURANCE PRODUCER'S TAX

14 **SC-1 Definitions.** The definitions contained in sections
15 237-1, 237-2 and 237-3 shall apply to this chapter.

16 **SC-2 Tax on insurance producers.** Upon every person
17 engaged as a licensed producer pursuant to chapter 431, there is
18 hereby levied and shall be assessed and collected a tax equal to
19 0.15 per cent of the commissions due to that activity.

20 **SC-3 Apportionment.** Where insurance producers, who are
21 not employees and are licensed pursuant to chapter 431, produce
22 commissions that are divided between the insurance producers,



1 the tax levied under section C-2 as to insurance producers shall
2 apply to each producer with respect to the producer's portion of
3 the commissions, and no more.

4 **§C-4 Administrative provisions.** Sections 237-8, 237-9,
5 237-9.5, 237-11, 237-12, 237-30, 237-31, 237-33, 237-33.5, 237-
6 34, 237-35, 237-36, 237-37, 237-38, 237-39, 237-40, 237-41, 237-
7 42, 237-43, 237-46, and 237-A through 237-G shall apply to this
8 chapter."

9 SECTION 5. Chapter 46, Hawaii Revised Statutes, is amended
10 by adding a new section to be appropriately designated and to
11 read as follows:

12 **"§46- County compliance with the streamlined sales and**
13 **use tax agreement.** The counties shall not adopt any law or
14 interpret any law in such a manner that violates the provisions
15 of the streamlined sales and use tax agreement established by
16 the Streamlined Sales Tax Governing Board, Incorporated, and
17 adopted pursuant to chapter 255D."

18 SECTION 6. Chapter 237, Hawaii Revised Statutes, is
19 amended by adding seven new sections to be appropriately
20 designated and to read as follows:

21 **"§237-A General sourcing rules.**



- 1 (1) The retail sale, excluding lease or rental, of a
2 product shall be sourced as follows:
- 3 (A) When the product is received by the purchaser at
4 a business location of the seller, the sale is
5 sourced to that business location;
- 6 (B) When the product is not received by the purchaser
7 at a business location of the seller, the sale is
8 sourced to the location where receipt by the
9 purchaser (or the purchaser's donee, designated
10 as such by the purchaser) occurs, including the
11 location indicated by instructions for delivery
12 to the purchaser (or donee), known to the seller;
- 13 (C) When subparagraphs (A) and (B) do not apply, the
14 sale is sourced to the location indicated by an
15 address for the purchaser that is available from
16 the business records of the seller that are
17 maintained in the ordinary course of the seller's
18 business when use of this address does not
19 constitute bad faith;
- 20 (D) When subparagraphs (A), (B), and (C) do not
21 apply, the sale is sourced to the location
22 indicated by an address for the purchaser



1 obtained during the consummation of the sale,
2 including the address of a purchaser's payment
3 instrument, if no other address is available,
4 when use of this address does not constitute bad
5 faith; or

6 (E) When none of the previous rules of subsections
7 (A), (B), (C), or (D) apply, including the
8 circumstance in which the seller is without
9 sufficient information to apply the previous
10 rules, then the location shall be determined by
11 the address from which tangible personal property
12 was shipped, from which the digital good or the
13 computer software delivered electronically was
14 first available for transmission by the seller,
15 or from which the service was provided
16 (disregarding for these purposes any location
17 that merely provided the digital transfer of the
18 product sold);

19 (2) The lease or rental of tangible personal property,
20 other than property identified in paragraphs (3) or
21 (4), shall be sourced as follows:



1 (A) For a lease or rental that requires recurring
2 periodic payments, the first periodic payment is
3 sourced the same as a retail sale in accordance
4 with paragraph (1). Periodic payments made
5 subsequent to the first payment are sourced to
6 the primary property location for each period
7 covered by the payment. The primary property
8 location shall be as indicated by an address for
9 the property provided by the lessee that is
10 available to the lessor from its records
11 maintained in the ordinary course of business,
12 when use of this address does not constitute bad
13 faith. The property location shall not be
14 altered by intermittent use at different
15 locations, such as use of business property that
16 accompanies employees on business trips and
17 service calls; or
18 (B) For a lease or rental that does not require
19 recurring periodic payments, the payment is
20 sourced the same as a retail sale in accordance
21 with paragraph (1);



1 This paragraph does not affect the imposition or
2 computation of general excise or use tax on leases or
3 rentals based on a lump sum or accelerated basis, or
4 on the acquisition of property for lease;

5 (3) The lease or rental of motor vehicles, trailers, semi-
6 trailers, or aircraft that do not qualify as
7 transportation equipment, as defined in paragraph (4),
8 shall be sourced as follows:

9 (A) For a lease or rental that requires recurring
10 periodic payments, each periodic payment is
11 sourced to the primary property location. The
12 primary property location shall be as indicated
13 by an address for the property provided by the
14 lessee that is available to the lessor from its
15 records maintained in the ordinary course of
16 business, when use of this address does not
17 constitute bad faith. This location shall not be
18 altered by intermittent use at different
19 locations; or

20 (B) For a lease or rental that does not require
21 recurring periodic payments, the payment is



1 sourced the same as a retail sale in accordance
2 with paragraph (1);

3 This paragraph does not affect the imposition or
4 computation of general excise or use tax on leases or
5 rentals based on a lump sum or accelerated basis, or
6 on the acquisition of property for lease;

7 (4) The retail sale, including lease or rental, of
8 transportation equipment shall be sourced the same as
9 a retail sale in accordance with paragraph (1),
10 notwithstanding the exclusion of lease or rental in
11 paragraph (1). "Transportation equipment" means any
12 of the following:

13 (A) Locomotives and railcars that are utilized for
14 the carriage of persons or property in interstate
15 commerce;

16 (B) Trucks and truck-tractors with a gross vehicle
17 weight rating of 10,001 pounds or greater,
18 trailers, semi-trailers, or passenger buses that
19 are:

20 (i) Registered through the international
21 registration plan; and



1 (ii) Operated under authority of a carrier
 2 authorized and certificated by the United
 3 States Department of Transportation or
 4 another federal authority to engage in the
 5 carriage of persons or property in
 6 interstate commerce;

7 (C) Aircraft that are operated by air carriers
 8 authorized and certificated by the United States
 9 Department of Transportation or another federal
 10 or a foreign authority to engage in the carriage
 11 of persons or property in interstate or foreign
 12 commerce; and

13 (D) Containers designed for use on and component
 14 parts attached or secured on the items set forth
 15 in subparagraph (A) to (C).

16 **§237-B General sourcing definitions.** For the purposes of
 17 section 237-A(1), the terms "receive" and "receipt" mean:

- 18 (1) Taking possession of tangible personal property;
- 19 (2) Making first use of services; or
- 20 (3) Taking possession or making first use of digital
 21 goods, whichever comes first.



1 The terms "receive" and "receipt" do not include possession
2 by a shipping company on behalf of the purchaser.

3 **§237-C Telecommunication sourcing rule.** (a) Except for
4 the defined telecommunication services in subsection (c), the
5 sale of telecommunication service sold on a call-by-call basis
6 shall be sourced to:

7 (1) Each level of taxing jurisdiction where the call
8 originates and terminates in that jurisdiction; or

9 (2) Each level of taxing jurisdiction where the call
10 either originates or terminates and in which the
11 service address is also located.

12 (b) Except for the defined telecommunication services in
13 subsection (c), a sale of telecommunications services sold on a
14 basis other than a call-by-call basis, is sourced to the
15 customer's place of primary use.

16 (c) The sale of the following telecommunication services
17 shall be sourced to each level of taxing jurisdiction as
18 follows:

19 (1) A sale of mobile telecommunications services other
20 than air-to-ground radiotelephone service and prepaid
21 calling service, is sourced to the customer's place of



1 primary use as required by the Mobile
2 Telecommunications Sourcing Act;
3 (2) A sale of post-paid calling service is sourced to the
4 origination point of the telecommunications signal as
5 first identified by either:
6 (A) The seller's telecommunications system; or
7 (B) Information received by the seller from its
8 service provider, where the system used to
9 transport such signals is not that of the seller;
10 (3) Until December 31, 2007, a sale of prepaid calling
11 service is sourced in accordance with section 237-A;
12 provided that in the case of a sale of mobile
13 telecommunications service that is a prepaid
14 telecommunications service, the rule provided in
15 section 237-A(1)(E) shall include as an option the
16 location associated with the mobile telephone number;
17 (4) Effective January 1, 2008, a sale of prepaid calling
18 service or a sale of a prepaid wireless calling
19 service is sourced in accordance with section 237-A;
20 provided that in the case of a sale of prepaid
21 wireless calling service, the rule provided in section



1 237-A(1)(E) shall include as an option the location
2 associated with the mobile telephone number; or

3 (5) A sale of a private communication service is sourced
4 as follows:

5 (A) Service for a separate charge related to a
6 customer channel termination point is sourced to
7 each level of jurisdiction in which the customer
8 channel termination point is located;

9 (B) Service where all customer termination points are
10 located entirely within one jurisdiction or
11 levels of jurisdiction is sourced in the
12 jurisdiction in which the customer channel
13 termination points are located; or

14 (C) Service for segments of a channel between two
15 customer channel termination points located in
16 different jurisdictions and which segment of
17 channel are separately charged is sourced fifty
18 per cent in each level of jurisdiction in which
19 the customer channel termination points are
20 located.

21 Service for segments of a channel located in more than
22 one jurisdiction or levels of jurisdiction and which



1 segments are not separately billed is sourced in each
2 jurisdiction based on the percentage determined by
3 dividing the number of customer channel termination
4 points in the jurisdiction by the total number of
5 customer channel termination points.

6 **§237-D Telecommunication sourcing definitions.** Until
7 December 31, 2007, for the purposes of section 237-C, the
8 following definitions shall apply:

9 "Air-to-ground radiotelephone service" means a radio
10 service, as that term is defined in 47 C.F.R. 22.99, in which
11 common carriers are authorized to offer and provide radio
12 telecommunications service for hire to subscribers in aircraft.

13 "Call-by-call basis" means any method of charging for
14 telecommunications services where the price is measured by
15 individual calls.

16 "Communications channel" means a physical or virtual path
17 of communications over which signals are transmitted between or
18 among customer channel termination points.

19 "Customer" means the person or entity that contracts with
20 the seller of telecommunications services. If the end user of
21 telecommunications services is not the contracting party, the
22 end user of the telecommunications service is the customer of



1 the telecommunication service, but this sentence only applies
2 for the purpose of sourcing sales of telecommunications services
3 under section 237-C. "Customer" does not include a reseller of
4 telecommunications service or for mobile telecommunications
5 service of a serving carrier under an agreement to serve the
6 customer outside the home service provider's licensed service
7 area.

8 "Customer channel termination point" means the location
9 where the customer either inputs or receives the communications.

10 "End user" means the person who utilizes the
11 telecommunication service. In the case of an entity, "end user"
12 means the individual who utilizes the service on behalf of the
13 entity.

14 "Home service provider" has the same meaning as that term
15 is defined in section 124(5) of Public Law 106-252 (Mobile
16 Telecommunications Sourcing Act).

17 "Mobile telecommunications service" has the same meaning as
18 that term is defined in section 124(7) of Public Law 106-252
19 (Mobile Telecommunications Sourcing Act).

20 "Place of primary use" means the street address
21 representative of where the customer's use of the
22 telecommunications service primarily occurs, which shall be the



1 residential street address or the primary business street
2 address of the customer. In the case of mobile
3 telecommunications services, "place of primary use" shall be
4 within the licensed service area of the home service provider.

5 "Post-paid calling service" means the telecommunications
6 service obtained by making a payment on a call-by-call basis
7 either through the use of a credit card or payment mechanism
8 such as a bank card, travel card, credit card, or debit card, or
9 by charge made to a telephone number that is not associated with
10 the origination or termination of the telecommunications
11 service. A post-paid calling service includes a
12 telecommunications service that would be a prepaid calling
13 service except it is not exclusively a telecommunication
14 service.

15 "Prepaid calling service" means the right to access
16 exclusively telecommunications services, which must be paid for
17 in advance and that enables the origination of calls using an
18 access number or authorization code, whether manually or
19 electronically dialed, and that is sold in predetermined units
20 or dollars of which the number declines with use in a known
21 amount.



1 "Private communication service" means a telecommunication
2 service that entitles the customer to exclusive or priority use
3 of a communications channel or group of channels between or
4 among termination points, regardless of the manner in which the
5 channel or channels are connected, and includes switching
6 capacity, extension lines, stations, and any other associated
7 services that are provided in connection with the use of the
8 channel or channels.

9 "Service address" means:

- 10 (1) The location of the telecommunications equipment to
11 which a customer's call is charged and from which the
12 call originates or terminates, regardless of where the
13 call is billed or paid;
- 14 (2) If the location in paragraph (1) is not known, service
15 address means the origination point of the signal of
16 the telecommunications services first identified by
17 either the seller's telecommunications system or in
18 information received by the seller from its service
19 provider, where the system used to transport the
20 signals is not that of the seller; or



1 (3) If the location in paragraphs (1) and (2) are not
2 known, service address means the location of the
3 customer's place of primary use.

4 §237-E Telecommunications sourcing definitions. Effective
5 January 1, 2008, for the purpose of section 237-C, the following
6 definitions shall apply:

7 "Air-to-ground radiotelephone service" means a radio
8 service, as that term is defined in 47 C.F.R. 22.99, in which
9 common carriers are authorized to offer and provide radio
10 telecommunications service for hire to subscribers in aircraft.

11 "Call-by-call basis" means any method of charging for
12 telecommunications services where the price is measured by
13 individual calls.

14 "Communications channel" means a physical or virtual path
15 of communications over which signals are transmitted between or
16 among customer channel termination points.

17 "Customer" means the person or entity that contracts with
18 the seller of telecommunications services. If the end user of
19 telecommunications services is not the contracting party, the
20 end user of the telecommunications service is the customer of
21 the telecommunication service, but this sentence only applies
22 for the purpose of sourcing sales of telecommunications services



1 under section 237-C. "Customer" does not include a reseller of
2 telecommunications service or for mobile telecommunications
3 service of a serving carrier under an agreement to serve the
4 customer outside the home service provider's licensed service
5 area.

6 "Customer channel termination point" means the location
7 where the customer either inputs or receives the communications.

8 "End user" means the person who utilizes the
9 telecommunication service. In the case of an entity, "end user"
10 means the individual who utilizes the service on behalf of the
11 entity.

12 "Home service provider" has the same meaning as that term
13 is defined in section 124(5) of Public Law 106-252 (Mobile
14 Telecommunications Sourcing Act).

15 "Mobile telecommunications service" has the same meaning as
16 that term is defined in section 124(7) of Public Law 106-252
17 (Mobile Telecommunications Sourcing Act).

18 "Place of primary use" means the street address
19 representative of where the customer's use of the
20 telecommunications service primarily occurs, which shall be the
21 residential street address or the primary business street
22 address of the customer. In the case of mobile



1 telecommunications services, "place of primary use" shall be
2 within the licensed service area of the home service provider.

3 "Post-paid calling service" means the telecommunications
4 service obtained by making a payment on a call-by-call basis
5 either through the use of a credit card or payment mechanism
6 such as a bank card, travel card, credit card, or debit card, or
7 by charge made to a telephone number that is not associated with
8 the origination or termination of the telecommunications
9 service. A post-paid calling service includes a
10 telecommunications service, except a prepaid wireless calling
11 service, that would be a prepaid calling service except it is
12 not exclusively a telecommunication service.

13 "Prepaid calling service" means the right to access
14 exclusively telecommunications services, which must be paid for
15 in advance and that enables the origination of calls using an
16 access number or authorization code, whether manually or
17 electronically dialed, and that is sold in predetermined units
18 or dollars of which the number declines with use in a known
19 amount.

20 "Prepaid wireless calling service" means a
21 telecommunications service that provides the right to utilize
22 mobile wireless service as well as other non-telecommunications



1 services, including the download of digital products delivered
2 electronically, content and ancillary services, which must be
3 paid for in advance that is sold in predetermined units or
4 dollars of which the number declines with use in a known amount.

5 "Private communication service" means a telecommunication
6 service that entitles the customer to exclusive or priority use
7 of a communications channel or group of channels between or
8 among termination points, regardless of the manner in which the
9 channel or channels are connected, and includes switching
10 capacity, extension lines, stations, and any other associated
11 services that are provided in connection with the use of the
12 channel or channels.

13 "Service address" means:

14 (1) The location of the telecommunications equipment to
15 which a customer's call is charged and from which the
16 call originates or terminates, regardless of where the
17 call is billed or paid;

18 (2) If the location in paragraph (1) is not known, service
19 address means the origination point of the signal of
20 the telecommunications services first identified by
21 either the seller's telecommunications system or in
22 information received by the seller from its service



1 provider, where the system used to transport the
2 signals is not that of the seller; or

3 (3) If the location in paragraphs (1) and (2) are not
4 known, service address means the location of the
5 customer's place of primary use.

6 **§237-F Deduction for bad debts.** (a) A seller shall be
7 allowed a deduction from taxable sales for bad debts. A seller
8 may deduct the amount of bad debts from the seller's gross
9 sales, rentals, or services used for the computation of the tax.
10 The amount of gross sales, rentals, or services deducted shall
11 be charged off as uncollectible on the books and records of the
12 seller at the time the debt becomes worthless and deducted on
13 the return for the period during which the bad debt is written
14 off as uncollectible in the claimant's books and records and
15 shall be eligible to be deducted for federal income tax
16 purposes.

17 For the purposes of this section, a claimant who is not
18 required to file a federal income tax return may deduct a bad
19 debt on a return filed for the period in which the bad debt
20 becomes worthless and is written off as uncollectible in the
21 claimant's books and records and would be eligible for a bad



1 debt deduction for federal income tax purposes if the claimant
2 was required to file a federal income tax return.

3 If a consumer or other person pays all or part of a bad
4 debt with respect to which a seller claimed a deduction under
5 this section, the seller is liable for the amount of taxes
6 deducted in connection with that portion of the debt for which
7 payment is received and shall remit these taxes in his or her
8 next payment to the department. Any payments made on a bad debt
9 shall be applied proportionally first to the taxable price of
10 the property and the tax on the property and second to any
11 interest, service, or other charge.

12 (b) Any claim for a bad debt deduction under this section
13 shall be supported by that evidence required by the department.
14 The department shall review any change in the rate of taxation
15 applicable to any taxable sales, rentals, or services by a
16 seller claiming a deduction pursuant to this section and shall
17 ensure that the deduction on any bad debt does not result in the
18 seller claiming the deduction recovering any more or less than
19 the taxes imposed on the sale, rental, or service that
20 constitutes the bad debt.

21 (c) If a certified service provider assumed filing
22 responsibility under the streamlined sales and use tax



1 administration act, the certified service provider may claim, on
2 behalf of the seller, any bad debt allowable to the seller and
3 shall credit or refund that amount of bad debt allowed or
4 refunded to the seller.

5 (d) If the books and records of a seller under the
6 streamlined sales and use tax administration act that claims a
7 bad debt allowance support an allocation of the bad debts among
8 member states of that agreement, the seller may allocate the bad
9 debts.

10 (e) As used in this section, "bad debt" means any portion
11 of a debt resulting from a seller's collection of the use tax
12 under the streamlined sales and use tax administration act on
13 the purchase of tangible personal property or services that is
14 not otherwise deductible or excludable and that is eligible to
15 be claimed, or could be eligible to be claimed if the seller
16 kept accounts on an accrual basis, as a deduction pursuant to
17 section 166 of the Internal Revenue Code, 26 U.S.C. section 166.

18 A bad debt does not include any of the following:

19 (1) Interest, finance charge, or use tax on the purchase
20 price;



1 (2) Uncollectible amounts on property that remains in the
2 possession of the seller until the full purchase price
3 is paid;

4 (3) Expenses incurred in attempting to collect any account
5 receivable or any portion of the debt recovered;

6 (4) Any accounts receivable that have been sold to and
7 remain in the possession of a third party for
8 collection; or

9 (5) Repossessed property.

10 **§237-G Direct mail sourcing.** (a) Notwithstanding the
11 general sourcing provisions of section 237-A, a purchaser of
12 direct mail that is not a holder of a direct pay permit shall
13 provide to the seller, in conjunction with the purchase, either
14 a direct mail form or information to show the jurisdictions to
15 which the direct mail is delivered to recipients.

16 Upon receipt of the direct mail form, the seller shall be
17 relieved of all obligations to collect, pay, or remit the
18 applicable tax and the purchaser shall be obligated to pay or
19 remit the applicable tax on a direct pay basis. A direct mail
20 form shall remain in effect for all future sales of direct mail
21 by the seller to the purchaser until it is revoked in writing.



1 Upon receipt of information from the purchaser showing the
2 jurisdictions to which the direct mail is delivered to
3 recipients, the seller shall collect the tax according to the
4 delivery information provided by the purchaser. In the absence
5 of bad faith, the seller shall be relieved of any further
6 obligation to collect tax on any transaction for which the
7 seller has collected tax pursuant to the delivery information
8 provided by the purchaser.

9 (b) If the purchaser of direct mail does not have a direct
10 pay permit and does not provide the seller with either a direct
11 mail form or delivery information as required under subsection
12 (a), the seller shall collect the tax. Nothing in this
13 subsection shall limit a purchaser's obligation for sales or use
14 tax to any state to which the direct mail is delivered.

15 (c) If a purchaser of direct mail provides the seller with
16 documentation of direct pay authority, the purchaser shall not
17 be required to provide a direct mail form or delivery
18 information to the seller,

19 Receipts from sales of direct mail for distribution to out-
20 of-state recipients and receipts from sales of direct-mail
21 processing services in connection with distribution of direct
22 mail to out-of-state recipients shall be exempt from taxation



1 under this chapter. The exemption provided by this section
2 shall apply to receipts from charges for the printing or
3 production of direct mail, whether prepared in or shipped into
4 Hawaii, after preparation, and stored for subsequent shipment to
5 out-of-state customers. The direct mail processing services
6 exemption provided under this section shall apply to receipts
7 from charges for all direct mail processing services for
8 distribution to out-of-state recipients, including but not
9 limited to preparing and maintaining mailing lists, addressing,
10 separating, folding, inserting, sorting, and packaging direct
11 mail materials, and transporting the direct mail to the point of
12 shipment by the mail service or other carrier."

13 SECTION 7. Section 237-1, Hawaii Revised Statutes, is
14 amended by adding five new definitions to be appropriately
15 inserted and to read as follows:

16 "Delivery charges" means charges by the seller for
17 preparation and delivery to a location designated by the
18 purchaser of personal property or services including, but not
19 limited to, transportation, shipping, postage, handling,
20 crating, and packing. If a shipment includes both exempt and
21 taxable property, the seller should allocate the delivery charge
22 by using:



- 1 (1) A percentage based on the total sales price of the
- 2 taxable property compared to the total sales price of
- 3 all property in the shipment; or
- 4 (2) A percentage based on the total weight of the taxable
- 5 property compared to the total weight of all property
- 6 in the shipment.

7 "Direct mail" means printed material delivered or
8 distributed by United States mail or other delivery service to a
9 mass audience or to addresses on a mailing list provided by the
10 purchaser, or at the direction of the purchaser, in cases in
11 which the cost of the items are not billed directly to the
12 recipients. "Direct mail" includes tangible personal property
13 supplied directly or indirectly by the purchaser to the direct
14 mail seller for inclusion in the package containing the printed
15 material. "Direct mail" does not include multiple items of
16 printed material.

17 "Lease or rental":

- 18 (1) After _____, means any transfer of possession or
- 19 control of tangible personal property for a fixed or
- 20 indeterminate term for consideration;
- 21 (2) May include future options to purchase or extend;
- 22 (3) Does not include:

- 1 (A) A transfer of possession or control of property
2 under a security agreement or deferred payment
3 plan that requires the transfer of title upon
4 completion of the required payments;

- 5 (B) A transfer of possession or control of property
6 under an agreement that requires the transfer of
7 title upon completion of required payments and
8 payment of an option price does not exceed the
9 greater of \$100 or one per cent of the total
10 required payments;

- 11 (C) Providing tangible personal property along with
12 an operator for a fixed or indeterminate period
13 of time. A condition of this exclusion is that
14 the operator is necessary for the equipment to
15 perform as designed. For the purpose of this
16 subparagraph, an operator shall do more than
17 maintain, inspect, or set-up the tangible
18 personal property; or

- 19 (D) Agreements covering motor vehicles and trailers
20 where the amount of consideration may be
21 increased or decreased by reference to the amount



1 realized upon sale or disposition of the property
2 as defined in 26 U.S.C. section 7701(h) (1).

3 For the purposes of this chapter, the definition of "lease
4 or rental" shall be used regardless of whether a transaction is
5 characterized as a lease or rental under generally accepted
6 accounting principles, the federal Internal Revenue Code, or
7 other provisions of federal, state, or local law.

8 "Sales price" applies to the measure subject to tax and
9 means the total amount of consideration, including, cash credit,
10 property, and services for which personal property or services
11 are sold, leased, rented, valued in money, whether money is
12 received or otherwise, without any deduction for the following:

- 13 (1) The seller's cost of the property sold;
14 (2) The cost of the materials used, labor or service cost,
15 losses, all costs of transportation to the seller, all
16 taxes imposed on the seller, and any other expense of
17 the seller;
18 (3) Charges by the seller for any services necessary to
19 complete the sale, other than delivery and
20 installation charges;
21 (4) Delivery and installation charges; or
22 (5) Installation charges.



1 "Tangible personal property" means personal property that
2 can be seen, weighed, measured, felt, or touched, or that is in
3 any manner perceptible to the senses. Tangible personal
4 property includes gas, steam, and prewritten computer software."

5 SECTION 8. Chapter 255D, Hawaii Revised Statutes, is
6 amended by adding nine new sections to be appropriately
7 designated and to read as follows:

8 "§255D-A Relief from certain liability. All sellers and
9 certified service providers as defined in section 255D-2 using
10 databases pursuant to section 255D-D(f) and (g) shall be
11 relieved from liability to the state and local jurisdictions for
12 having charged and collected the incorrect amount of general
13 excise or use tax resulting from the seller or certified service
14 provider relying on erroneous data provided by the state on tax
15 rates, boundaries, or taxing jurisdiction assignments.

16 §255D-B Rounding rule. For the purpose of calculating the
17 amount of the general excise or use tax:

- 18 (1) The tax computation shall be carried to the third
19 decimal place; and
20 (2) The tax shall be rounded to a whole cent using a
21 method that rounds up to the next cent whenever the
22 third decimal place is greater than four.



1 Sellers may elect to compute the tax due on a transaction
2 on an item or an invoice basis, and shall allow the rounding
3 rule to be applied to the aggregated state and local taxes.

4 **§255D-C Amnesty for registration under this chapter.** (a)

5 The department shall provide amnesty for uncollected or unpaid
6 general excise tax under chapter 237 or use tax under chapter
7 238, including any county surcharge, to a seller who registers
8 to pay or to collect and remit applicable general excise or use
9 tax on sales made to purchasers in the State in accordance with
10 the terms of the streamlined sales and use tax agreement,
11 provided that the seller was not so registered in the State in
12 the twelve-month period preceding the effective date of the
13 State's participation in the streamlined sales and use tax
14 agreement.

15 (b) The amnesty shall preclude assessment for uncollected
16 or unpaid general excise tax under chapter 237 or use tax under
17 chapter 238 together with penalty or interest for sales made
18 during the period the seller was not registered in the State,
19 provided registration occurs within twelve months of the
20 effective date of the State's participation in the streamlined
21 sales and use tax agreement.



1 (c) The amnesty shall not be available to a seller with
2 respect to any matter or matters for which the seller received
3 notice of the commencement of an audit and the audit is not yet
4 finally resolved including any related administrative and
5 judicial processes.

6 (d) The amnesty shall not be available for general excise
7 or use taxes already paid or remitted to the State or to taxes
8 collected by the seller.

9 (e) The amnesty shall be fully effective, absent the
10 seller's fraud or intentional misrepresentation of a material
11 fact, as long as the seller continues registration and continues
12 payment or collection and remittance of applicable general
13 excise or use taxes for a period of at least thirty-six months.
14 The statute of limitations is tolled with respect to asserting a
15 tax liability during this thirty-six month period.

16 (f) The amnesty shall only apply to general excise or use
17 taxes due from a seller in its capacity as a seller and not to
18 sales or use taxes due from a seller in its capacity as a buyer.

19 **§255D-D Local rate and boundary changes.** (a) Any rate
20 changes by a county shall be effective only on the first day of
21 a calendar quarter after a minimum of sixty days notice to
22 sellers.



1 (b) Any county tax rate changes to purchases from printed
2 catalogs wherein the purchaser computed the tax based upon
3 county tax rates published in the catalog shall be effective
4 only on the first day of a calendar quarter after a minimum of
5 one hundred twenty days notice to sellers.

6 (c) For general excise and use tax purposes only, local
7 jurisdiction boundary changes apply only on the first day of a
8 calendar quarter after a minimum of sixty days notice to
9 sellers.

10 (d) The department of taxation shall provide and maintain
11 a database that describes boundary changes for all taxing
12 jurisdictions. The database shall include a description of the
13 change and the effective date of the change for general excise
14 tax under chapter 237 and use tax under chapter 238 purposes.

15 (e) The department of taxation shall provide and maintain
16 a database of all general excise tax rates under chapter 237 and
17 use tax rates under chapter 238 for all of the jurisdictions
18 levying taxes within the State. For the identification of
19 states, counties, and cities, codes corresponding to the rates
20 shall be provided according to Federal Information Processing
21 Standards as developed by the National Institute of Standards
22 and Technology. For the identification of all other



1 jurisdictions, codes corresponding to the rates shall be in the
2 format determined by the Streamlined Sales Tax Governing Board,
3 Incorporated.

4 (f) The department of taxation shall provide and maintain
5 a database that assigns each five digit and nine digit zip code
6 within the State to the proper tax rates and jurisdictions. The
7 department of taxation shall apply the lowest combined tax rate
8 imposed in the zip code area if the area includes more than one
9 tax rate in any level of taxing jurisdictions. If a nine digit
10 zip code designation is not available for a street address or if
11 a seller or certified service provider is unable to determine
12 the nine digit zip code designation of a purchaser after
13 exercising due diligence to determine the designation, the
14 seller or certified service provider may apply the rate for the
15 five digit zip code area. For the purposes of this section,
16 there is a rebuttable presumption that a seller or certified
17 service provider has exercised due diligence if the seller has
18 attempted to determine the nine digit zip code designation by
19 utilizing software approved by the Streamlined Sales Tax
20 Governing Board, Incorporated, that makes this designation from
21 the street address and the five digit zip code of the purchaser.



1 (g) The State shall participate with other states in the
2 development of an address-based system for assigning taxing
3 jurisdictions. The system shall meet the requirements developed
4 pursuant to the federal Mobile Telecommunications Sourcing Act
5 (4 U.S.C. Sec. 119(a)). If any state develops an address-based
6 assignment system pursuant to the Mobile Telecommunications
7 Sourcing Act, a seller may use that system in place of the
8 system provided for in subsection (e) of this section.

9 **§255D-E Certified service provider; agent of the seller.**

10 (a) A certified service provider is the agent of a seller, with
11 whom the certified service provider has contracted for the
12 collection and remittance of general excise and use taxes. As
13 the seller's agent, the certified service provider is liable for
14 general excise and use tax due to the State on all sales
15 transactions it processes for the seller unless the seller made
16 a material misrepresentation or committed fraud.

17 (b) A seller that uses a certified automated system is
18 responsible and is liable to the State for reporting and
19 remitting tax.

20 **§255D-F Confidentiality of records.** (a) Except as
21 provided in subsection (c), a certified service provider shall
22 not retain or disclose the personally identifiable information



1 of consumers. A certified service provider's system shall be
2 designed and tested to ensure the privacy of consumers by
3 protecting their anonymity.

4 (b) A certified service provider shall provide clear and
5 conspicuous notice of its information practices to consumers,
6 including, but not limited to, what information it collects, how
7 it collects the information, how it uses the information, how
8 long it retains the information, and whether it discloses the
9 information to member states.

10 (c) A certified service provider's retention or disclosure
11 to member states of personally identifiable information is
12 limited to that required to ensure the validity of exemptions
13 claimed because of a consumer's status or intended use of the
14 goods or services purchased.

15 (d) A certified service provider shall provide the
16 necessary technical, physical, and administrative safeguards to
17 protect personally identifiable information from unauthorized
18 access and disclosure.

19 (e) The privacy policy required under this section shall
20 be subject to enforcement by the attorney general.

21 (f) If personally identifiable information is retained by
22 the State for the purpose of subsection (c), in the absence of



1 exigent circumstances, a person shall be afforded reasonable
2 access to their own data, with a right to correct inaccurately
3 recorded data.

4 (g) The agreement does not enlarge or limit the State's
5 authority to do any of the following:

6 (1) Conduct audits or other reviews as provided under the
7 agreement or the State's law;

8 (2) Provide records pursuant to the State's freedom of
9 information act, disclosure laws with governmental
10 agencies, or other regulations;

11 (3) Prevent, consistent with the State's law, disclosures
12 of confidential taxpayer information;

13 (4) Prevent, consistent with federal law, disclosures or
14 misuse of federal return information obtained under a
15 disclosure agreement with the internal revenue
16 service; or

17 (5) Collect, disclose, disseminate, or otherwise use
18 anonymous data for governmental purposes.

19 (h) The department shall publish on the department's
20 website the State's policy relating to the collection, use, and
21 retention of personally identifiable information obtained from a
22 certified service provider under subsection (c).



1 (i) The department shall destroy personally identifiable
2 information obtained from a certified service provider when the
3 information is no longer required for purposes under subsection
4 (c).

5 (j) If a person other than a member state or person
6 authorized by a member state's law or the agreement seeks to
7 discover personally identifiable information about an individual
8 from the State, the department shall make a reasonable and
9 timely effort to notify that individual of the request.

10 (k) As used in this section, "personally identifiable
11 information" means information that identifies a specific
12 person.

13 **§255D-G Liability for uncollected tax.** (a) A seller
14 registered under the agreement is not liable for any uncollected
15 or nonremitted tax on transactions with purchasers in the State
16 before the date of registration if the seller was not licensed
17 or registered under chapter 237 in the twelve-month period
18 preceding the effective date of the State's participation in the
19 agreement. The seller is also not responsible for any penalty
20 or interest that may be due on those transactions. This
21 subsection applies only if the seller is registered in this



1 state within twelve months of the effective date of this State's
2 participation in the agreement.

3 (b) Subsection (a) does not apply to:

4 (1) Any tax liability of the registered seller for
5 transactions that are subject to general excise or use
6 tax in the state in which the registered seller is the
7 purchaser;

8 (2) Any general excise or use taxes already paid or
9 remitted to the State or to taxes collected by the
10 seller; and

11 (3) Any transactions for which the seller received notice
12 of the commencement of an audit and the audit is not
13 finally resolved, including related administrative or
14 judicial processes.

15 (c) Subsection (a) applies to the seller absent the
16 seller's fraud or intentional misrepresentation of a material
17 fact only if the seller continues to be registered under the
18 agreement and continues collection and remittance of applicable
19 general excise and use taxes in the State for at least thirty-
20 six months. The statute of limitations applicable to assessing
21 a tax liability is tolled during this thirty-six-month period.



1 **§255D-H Rate changes.** (a) The department shall publish
2 on the state website a notification to sellers registered under
3 the agreement of a change in rate or tax base within five
4 business days of receiving notice of the public act number
5 assigned by the governor to the act that changes that tax rate
6 or base or of an amendment to general excise and use tax rules.
7 Whenever possible, a rate or tax base change should occur on the
8 first day of a calendar quarter.

9 (b) The failure of a seller to receive notice under
10 subsection (a) does not relieve the seller of its obligation to
11 collect the general excise or use tax.

12 (c) The department shall complete a taxability matrix as
13 provided for under section 328 of the agreement, maintain it in
14 a database in a downloadable format approved by the board, and
15 provide notice of changes in the matrix.

16 **§255D-I Customer refund procedures.** A cause of action
17 against a seller for overcollected general excise or use taxes
18 does not accrue until sixty days after a purchaser has provided
19 written notice to a seller. The purchaser shall provide in the
20 notice sufficient information to determine the validity of the
21 request. In matters relating to the request, a seller is
22 presumed to have a reasonable business practice if in the



1 collection of general excise or use tax, the seller has a
2 certified service provider or a system, including a proprietary
3 system, certified by the department, and has remitted to this
4 State all taxes collected, less any deductions, credits, or
5 collection allowances."

6 SECTION 9. Section 237-3, Hawaii Revised Statutes, is
7 amended by amending subsection (a) to read as follows:

8 "(a) "Gross income" means the gross receipts, cash or
9 accrued, of the taxpayer received as compensation for personal
10 services and the gross receipts of the taxpayer derived from
11 trade, business, commerce, or sales and the value proceeding or
12 accruing from the sale of tangible personal property, or
13 service, or both, and all receipts, actual or accrued as
14 hereinafter provided, by reason of the investment of the capital
15 of the business engaged in, including interest, discount,
16 rentals, royalties, fees, or other emoluments however designated
17 and without any deductions on account of the cost of property
18 sold, the cost of materials used, labor cost, taxes, royalties,
19 interest, or discount paid or any other expenses whatsoever.
20 Every taxpayer shall be presumed to be dealing on a cash basis
21 unless the taxpayer proves to the satisfaction of the department
22 of taxation that the taxpayer is dealing on an accrual basis and



1 the taxpayer's books are so kept, or unless the taxpayer employs
 2 or is required to employ the accrual basis for the purposes of
 3 the tax imposed by chapter 235 for any taxable year in which
 4 event the taxpayer shall report the taxpayer's gross income for
 5 the purposes of this chapter on the accrual basis for the same
 6 period.

7 "Gross proceeds of sale" means the [~~value actually~~
 8 ~~proceeding from the sale of tangible personal property without~~
 9 ~~any deduction on account of the cost of property sold or~~
 10 ~~expenses of any kind.] sales price."~~

11 SECTION 10. Section 237-8.6, Hawaii Revised Statutes, is
 12 amended by amending subsection (a) to read as follows:

13 "(a) The county surcharge on state tax, upon the adoption
 14 of county ordinances and in accordance with the requirements of
 15 section 46-16.8, shall be levied, assessed, and collected as
 16 provided in this section on all gross proceeds and gross income
 17 taxable under this chapter. No county shall set the surcharge
 18 on state tax at a rate greater than one-half per cent of all
 19 gross proceeds and gross income taxable under this chapter. All
 20 provisions of this chapter shall apply to the county surcharge
 21 on state tax. With respect to the surcharge, the director of
 22 taxation shall have all the rights and powers provided under



1 this chapter. No county shall conduct an independent tax audit
2 of sellers registered under the streamlined sales tax agreement.

3 In addition, the director of taxation shall have the exclusive
4 rights and power to determine the county or counties in which a
5 person is engaged in business and, in the case of a person
6 engaged in business in more than one county, the director shall
7 determine, through apportionment or other means, that portion of
8 the surcharge on state tax attributable to business conducted in
9 each county."

10 SECTION 11. Section 237-9, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§237-9 Licenses; penalty.** (a) Except as provided in
13 this section, any person who has a gross income or gross
14 proceeds of sales or value of products upon which a privilege
15 tax is imposed by this chapter, as a condition precedent to
16 engaging or continuing in [~~such~~] the business, shall in writing
17 apply for and obtain from the department of taxation, upon a
18 one-time payment of the sum of \$20, a license to engage in and
19 to conduct such business, upon condition that the person shall
20 pay the taxes accruing to the State under this chapter, and the
21 person shall thereby be duly licensed to engage in and conduct
22 the business. Any person licensed or holding a license under



1 this chapter before January 1, 1990, shall pay a one-time
 2 license renewal fee of \$20 on or before January 31, 1990, as a
 3 condition precedent to engaging or continuing in business. The
 4 license shall not be transferable and shall be valid only for
 5 the person in whose name it is issued and for the transaction of
 6 business at the place designated therein. The license may be
 7 inspected and examined, and shall at all times be conspicuously
 8 displayed at the place for which it is issued.

9 A seller registered under the streamlined sales and use tax
 10 agreement who is not otherwise obligated to obtain a license in
 11 the State is not required to obtain a license because of that
 12 registration.

13 (b) Licenses and applications therefor shall be in such
 14 form as the department shall prescribe, except that where the
 15 licensee is engaged in two or more forms of business of
 16 different classification, the license shall so state on its
 17 face. The license provided for by this section shall be
 18 effective until canceled in writing. Any application for the
 19 reissuance of a previously canceled license identification
 20 number after December 31, 1989, shall be regarded as a new
 21 license application and subject to the payment of the one-time
 22 license fee of \$20. The director may revoke or cancel any



1 license issued under this chapter for cause as provided by rules
2 adopted pursuant to chapter 91.

3 (c) If the license fee is paid, the department shall not
4 refuse to issue a license or revoke or cancel a license for the
5 exercise of a privilege protected by the First Amendment of the
6 Constitution of the United States, or for the carrying on of
7 interstate or foreign commerce, or for any privilege the
8 exercise of which, under the Constitution and laws of the United
9 States, cannot be restrained on account of nonpayment of taxes,
10 nor shall section 237-46 be invoked to restrain the exercise of
11 such a privilege, or the carrying on of [~~such~~] interstate or
12 foreign commerce.

13 (d) The director may permit a person engaged in network
14 marketing, multi-level marketing, or other similar business to
15 obtain the license required under this section for purposes of
16 becoming a tax collection agent on behalf of its direct sellers.
17 The tax collection agent shall report, collect, and pay over the
18 taxes due under this chapter and chapter 238 on behalf of its
19 direct sellers who are covered by the tax collection agreement.
20 The tax collection agent's direct sellers shall be deemed to be
21 licensed under this chapter; provided that the licensure shall
22 apply solely to the business activity conducted directly through



1 the marketing arrangement. Under this section, a tax collection
2 agent shall:

3 (1) Notify all of its direct sellers making sales in the
4 State that it has been designated to collect, report,
5 and pay over the tax imposed by this chapter and
6 chapter 238 on their behalf on the business activity
7 conducted through the marketing arrangement;

8 (2) If required by the director as a condition of
9 obtaining the license, furnish with the annual return,
10 a list (including identification numbers) of all
11 direct sellers for the taxable year who have been
12 provided (by the tax collection agent) information
13 returns required under section 6041A of the Internal
14 Revenue Code of 1986, as amended, and any other
15 information that is relevant to ensure proper payment
16 of taxes due under this section; and

17 (3) Be personally liable for the taxes due and collected
18 under the tax collection agreement if taxes are
19 collected, but not reported or paid, together with
20 penalties and interest as provided by law.

21 (e) The director may authorize a person to assume the
22 obligation of self-accruing and remitting tax due on purchases



1 or leases directly to the department under a direct payment
2 authorization, if the following conditions are met:

3 (1) The authorization is to be used for the purchase or
4 lease of tangible personal property or services;

5 (2) The authorization is necessary because it is either
6 impractical at the time of acquisition to determine
7 the manner in which the tangible personal property or
8 services will be used or it will facilitate improved
9 compliance with the tax laws of the State; and

10 (3) The person requesting authorization for direct payment
11 maintains accurate and complete records of all
12 purchases or leases and uses of tangible personal
13 property or services purchased pursuant to the direct
14 payment authorization in a form acceptable to the
15 department.

16 The department may identify items that are not eligible for a
17 direct payment authorization.

18 ~~(e)}~~ (f) For the purposes of this section:

19 "Consumer product" shall include tangible consumer products
20 and intangible consumer services.



1 "Direct seller" means any person who is engaged in the
2 trade or business of selling (or soliciting the sale of)
3 consumer products:

4 (1) To any buyer on a buy-sell basis, a deposit-commission
5 basis, or any similar basis, that the director
6 prescribes by rule adopted pursuant to chapter 91, for
7 resale other than in a permanent retail establishment;

8 (2) Other than in a permanent retail establishment;
9 provided that:

10 (A) Substantially all the remuneration (whether or
11 not paid in cash) for the sale of consumer
12 products is directly related to sales or other
13 output rather than to the number of hours worked;
14 and

15 (B) The sales of consumer products by the person are
16 performed pursuant to a written contract that
17 provides that the person will not be treated as
18 an employee with respect to those sales for
19 federal or state tax purposes.

20 "Direct seller" includes individuals who realize
21 remuneration dependent on the productivity of other individuals
22 in the marketing arrangement.



1 "Network marketing" or "multi-level marketing" means a
2 marketing arrangement in which consumer products are distributed
3 and sold to or through direct sellers."

4 SECTION 12. Section 237-13, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "**§237-13 Imposition of tax.** There is hereby levied and
7 shall be assessed and collected annually privilege taxes against
8 persons on account of their business and other activities in the
9 State measured by the application of rates against values of
10 products, gross proceeds of sales, or gross income, whichever is
11 specified, as follows:

12 [~~1~~] ~~Tax on manufacturers.~~

13 ~~(A) Upon every person engaging or continuing within~~
14 ~~the State in the business of manufacturing,~~
15 ~~including compounding, canning, preserving,~~
16 ~~packing, printing, publishing, milling,~~
17 ~~processing, refining, or preparing for sale,~~
18 ~~profit, or commercial use, either directly or~~
19 ~~through the activity of others, in whole or in~~
20 ~~part, any article or articles, substance or~~
21 ~~substances, commodity or commodities, the amount~~
22 ~~of the tax to be equal to the value of the~~



1 ~~articles, substances, or commodities,~~
2 ~~manufactured, compounded, canned, preserved,~~
3 ~~packed, printed, milled, processed, refined, or~~
4 ~~prepared for sale, as shown by the gross proceeds~~
5 ~~derived from the sale thereof by the manufacturer~~
6 ~~or person compounding, preparing, or printing~~
7 ~~them, multiplied by one-half of one per cent.~~

8 ~~(B) The measure of the tax on manufacturers is the~~
9 ~~value of the entire product for sale, regardless~~
10 ~~of the place of sale or the fact that deliveries~~
11 ~~may be made to points outside the State.~~

12 ~~(C) If any person liable for the tax on manufacturers~~
13 ~~ships or transports the person's product, or any~~
14 ~~part thereof, out of the State, whether in a~~
15 ~~finished or unfinished condition, or sells the~~
16 ~~same for delivery to points outside the State~~
17 ~~(for example, consigned to a mainland purchaser~~
18 ~~via common carrier f.o.b. Honolulu), the value of~~
19 ~~the products in the condition or form in which~~
20 ~~they exist immediately before entering interstate~~
21 ~~or foreign commerce, determined as hereinafter~~
22 ~~provided, shall be the basis for the assessment~~



1 ~~of the tax imposed by this paragraph. This tax~~
2 ~~shall be due and payable as of the date of entry~~
3 ~~of the products into interstate or foreign~~
4 ~~commerce, whether the products are then sold or~~
5 ~~not. The department shall determine the basis~~
6 ~~for assessment, as provided by this paragraph, as~~
7 ~~follows:~~

8 ~~(i) If the products at the time of their entry~~
9 ~~into interstate or foreign commerce already~~
10 ~~have been sold, the gross proceeds of sale,~~
11 ~~less the transportation expenses, if any,~~
12 ~~incurred in realizing the gross proceeds for~~
13 ~~transportation from the time of entry of the~~
14 ~~products into interstate or foreign~~
15 ~~commerce, including insurance and storage in~~
16 ~~transit, shall be the measure of the value~~
17 ~~of the products;~~

18 ~~(ii) If the products have not been sold at the~~
19 ~~time of their entry into interstate or~~
20 ~~foreign commerce, and in cases governed by~~
21 ~~clause (i) in which the products are sold~~
22 ~~under circumstances such that the gross~~



1 ~~proceeds of sale are not indicative of the~~
2 ~~true value of the products, the value of the~~
3 ~~products constituting the basis for~~
4 ~~assessment shall correspond as nearly as~~
5 ~~possible to the gross proceeds of sales for~~
6 ~~delivery outside the State, adjusted as~~
7 ~~provided in clause (i), or if sufficient~~
8 ~~data are not available, sales in the State,~~
9 ~~of similar products of like quality and~~
10 ~~character and in similar quantities, made by~~
11 ~~the taxpayer (unless not indicative of the~~
12 ~~true value) or by others. Sales outside the~~
13 ~~State, adjusted as provided in clause (i),~~
14 ~~may be considered when they constitute the~~
15 ~~best available data. The department shall~~
16 ~~prescribe uniform and equitable rules for~~
17 ~~ascertaining the values;~~

18 ~~(iii) At the election of the taxpayer and with the~~
19 ~~approval of the department, the taxpayer may~~
20 ~~make the taxpayer's returns under clause (i)~~
21 ~~even though the products have not been sold~~



1 ~~at the time of their entry into interstate~~
2 ~~or foreign commerce, and~~
3 (iv) ~~In all cases in which products leave the~~
4 ~~State in an unfinished condition, the basis~~
5 ~~for assessment shall be adjusted so as to~~
6 ~~deduct the portion of the value as is~~
7 ~~attributable to the finishing of the goods~~
8 ~~outside the State.~~

9 [+2+] (1) Tax on business of selling tangible personal
10 property[~~;- producing.~~]:

11 (A) Upon every person engaging or continuing in the
12 business of selling any tangible personal
13 property [~~whatsoever~~] (not including, however,
14 bonds or other evidence of indebtedness, or
15 stocks), unless subject to chapter A, there is
16 [~~likewise~~] hereby levied, and shall be assessed
17 and collected, a tax equivalent to four per cent
18 of the gross proceeds of sales of the business;
19 [~~provided that insofar as the sale of tangible~~
20 ~~personal property is a wholesale sale under~~
21 ~~section 237-4(a)(8)(B), the sale shall be subject~~
22 ~~to section 237-13.3.~~ Upon every person engaging



~~or continuing within this State in the business of a producer, the tax shall be equal to one half of one per cent of the gross proceeds of sales of the business, or the value of the products, for sale, if sold for delivery outside the State or shipped or transported out of the State, and the value of the products shall be determined in the same manner as the value of manufactured products covered in the cases under paragraph (1) (C).]~~

(B) Gross proceeds of sales of tangible property, unless subject to chapter A, in interstate and foreign commerce shall constitute a part of the measure of the tax imposed on persons in the business of selling tangible personal property, to the extent, under the conditions, and in accordance with the provisions of the Constitution of the United States and the Acts of the Congress of the United States [~~which~~] that may be now in force or may be hereafter adopted, and whenever there occurs in the State an activity to which, under the Constitution and Acts of Congress, there may be attributed gross



1 proceeds of sales, the gross proceeds shall be so
2 attributed[~~+~~];

3 [~~(C)~~ ~~No manufacturer or producer, engaged in such~~
4 ~~business in the State and selling the~~
5 ~~manufacturer's or producer's products for~~
6 ~~delivery outside of the State (for example,~~
7 ~~consigned to a mainland purchaser via common~~
8 ~~carrier f.o.b. Honolulu), shall be required to~~
9 ~~pay the tax imposed in this chapter for the~~
10 ~~privilege of so selling the products, and the~~
11 ~~value or gross proceeds of sales of the products~~
12 ~~shall be included only in determining the measure~~
13 ~~of the tax imposed upon the manufacturer or~~
14 ~~producer.~~

15 ~~(D)~~] (C) When a manufacturer, or a producer[~~+~~] as
16 defined under section A-3, engaged in [~~such~~] the
17 business of manufacturing or producing in the
18 State, also is engaged in selling the
19 manufacturer's or producer's products in the
20 State at wholesale[~~+~~] and taxed under chapter A,
21 retail, or in any other manner, the tax for the
22 privilege of engaging in the business of selling



1 the products in the State shall apply to the
2 manufacturer or producer as well as the tax for
3 the privilege of manufacturing or producing in
4 the State, and the manufacturer or producer shall
5 make the returns of the gross proceeds of the
6 wholesale, retail, or other sales required for
7 the privilege of selling in the State, as well as
8 making the returns of the value or gross proceeds
9 of sales of the products required for the
10 privilege of manufacturing or producing in the
11 State. The manufacturer or producer shall pay
12 the tax imposed in this chapter for the privilege
13 of selling its products in the State, and the
14 value or gross proceeds of sales of the products,
15 thus subjected to tax, may be deducted insofar as
16 duplicated as to the same products by the measure
17 of the tax upon the manufacturer or producer for
18 the privilege of manufacturing or producing in
19 the State[+] under chapter A; provided that no
20 producer of agricultural products who sells the
21 products to a purchaser who will process the
22 products outside the State shall be required to



1 pay the tax imposed in this chapter for the
2 privilege of producing or selling those
3 products~~[+]~~; and

4 ~~[(E)]~~ (D) A taxpayer selling to a federal cost-plus
5 contractor may make the election provided for by
6 paragraph ~~[(3)(C)]~~, (2)(C), and in that case the
7 tax shall be computed pursuant to the election,
8 notwithstanding this paragraph ~~[or paragraph (1)]~~
9 to the contrary.

10 ~~[(F)]~~ ~~The department, by rule, may require that a~~
11 ~~seller take from the purchaser of tangible~~
12 ~~personal property a certificate, in a form~~
13 ~~prescribed by the department, certifying that the~~
14 ~~sale is a sale at wholesale; provided that:~~

15 ~~(i) Any purchaser who furnishes a certificate~~
16 ~~shall be obligated to pay to the seller,~~
17 ~~upon demand, the amount of the additional~~
18 ~~tax that is imposed upon the seller whenever~~
19 ~~the sale in fact is not at wholesale; and~~

20 ~~(ii) The absence of a certificate in itself shall~~
21 ~~give rise to the presumption that the sale~~



~~is not at wholesale unless the sales of the
business are exclusively at wholesale.~~

~~(3)]~~ (2) Tax upon contractors~~[-]~~:

(A) Upon every person engaging or continuing within the State in the business of contracting, the tax shall be equal to four per cent of the gross income of the business~~[-]~~;

(B) In computing the tax levied under this paragraph, there shall be deducted from the gross income of the taxpayer so much thereof as has been included in the measure of the tax levied under subparagraph (A) or section 237-16, on:

(i) Another taxpayer who is a contractor, as defined in section 237-6;

(ii) A specialty contractor, duly licensed by the department of commerce and consumer affairs pursuant to section 444-9, in respect of the specialty contractor's business; or

(iii) A specialty contractor who is not licensed by the department of commerce and consumer affairs pursuant to section 444-9, but who performs contracting activities on federal



1 military installations and nowhere else in
2 this State;

3 provided that any person claiming a deduction
4 under this paragraph shall be required to show in
5 the person's return the name and general excise
6 number of the person paying the tax on the amount
7 deducted by the person[~~-~~];

8 (C) In computing the tax levied under this paragraph
9 against any federal cost-plus contractor, there
10 shall be excluded from the gross income of the
11 contractor so much thereof as fulfills the
12 following requirements:

13 (i) The gross income exempted shall constitute
14 reimbursement of costs incurred for
15 materials, plant, or equipment purchased
16 from a taxpayer licensed under this chapter,
17 not exceeding the gross proceeds of sale of
18 the taxpayer on account of the transaction;
19 and

20 (ii) The taxpayer making the sale shall have
21 certified to the department that the
22 taxpayer is taxable with respect to the



1 gross proceeds of the sale, and that the
2 taxpayer elects to have the tax on gross
3 income computed the same as upon a sale to
4 the state government[-];

5 (D) A person who, as a business or as a part of a
6 business in which the person is engaged, erects,
7 constructs, or improves any building or
8 structure, of any kind or description, or makes,
9 constructs, or improves any road, street,
10 sidewalk, sewer, or water system, or other
11 improvements on land held by the person (whether
12 held as a leasehold, fee simple, or otherwise),
13 upon the sale or other disposition of the land or
14 improvements, even if the work was not done
15 pursuant to a contract, shall be liable to the
16 same tax as if engaged in the business of
17 contracting, unless the person shows that at the
18 time the person was engaged in making the
19 improvements the person intended, and for the
20 period of at least one year after completion of
21 the building, structure, or other improvements
22 the person continued to intend to hold and not



1 sell or otherwise dispose of the land or
2 improvements. The tax in respect of the
3 improvements shall be measured by the amount of
4 the proceeds of the sale or other disposition
5 that is attributable to the erection,
6 construction, or improvement of [~~such~~] the
7 building or structure, or the making,
8 constructing, or improving of the road, street,
9 sidewalk, sewer, or water system, or other
10 improvements. The measure of tax in respect of
11 the improvements shall not exceed the amount
12 [~~which~~] that would have been taxable had the work
13 been performed by another, subject as in other
14 cases to the deductions allowed by subparagraph
15 (B). Upon the election of the taxpayer, this
16 paragraph may be applied notwithstanding that the
17 improvements were not made by the taxpayer, or
18 were not made as a business or as a part of a
19 business, or were made with the intention of
20 holding the same. However, this paragraph shall
21 not apply in respect of any proceeds that
22 constitute or are in the nature of rent; all



1 ~~such~~ gross income shall be taxable under
2 paragraph ~~[(9)]~~ (6); provided that insofar as
3 the business of renting or leasing real property
4 under a lease is taxed under section 237-16.5,
5 the tax shall be levied by section 237-16.5~~[-]~~;
6 ~~[(4)]~~ (3) Tax upon theaters, amusements, radio broadcasting
7 stations, etc.:

8 ~~[(A)]~~ Upon every person engaging or continuing within
9 the State in the business of operating a theater,
10 opera house, moving picture show, vaudeville,
11 amusement park, dance hall, skating rink, radio
12 broadcasting station, or any other place at which
13 amusements are offered to the public, unless
14 taxed under section A-6, the tax shall be equal
15 to four per cent of the gross income of the
16 business~~[, and in the case of a sale of an~~
17 ~~amusement at wholesale under section 237-~~
18 ~~4(a)(13), the tax shall be subject to section~~
19 ~~237-13.3.~~

20 ~~(B)~~ ~~The department may require that the person~~
21 ~~rendering an amusement at wholesale take from the~~
22 ~~licensed seller a certificate, in a form~~



1 ~~prescribed by the department, certifying that the~~
2 ~~sale is a sale at wholesale; provided that:~~

3 ~~(i) Any licensed seller who furnishes a~~
4 ~~certificate shall be obligated to pay to the~~
5 ~~person rendering the amusement, upon demand,~~
6 ~~the amount of additional tax that is imposed~~
7 ~~upon the seller whenever the sale is not at~~
8 ~~wholesale; and~~

9 ~~(ii) The absence of a certificate in itself shall~~
10 ~~give rise to the presumption that the sale~~
11 ~~is not at wholesale unless the person~~
12 ~~rendering the sale is exclusively rendering~~
13 ~~the amusement at wholesale.];~~

14 [~~(5)~~] (4) Tax upon sales representatives, etc. Upon every
15 person classified as a representative or purchasing
16 agent under section 237-1, engaging or continuing
17 within the State in the business of performing
18 services for another, other than as an employee, there
19 is likewise hereby levied and shall be assessed and
20 collected a tax equal to four per cent of the
21 commissions and other compensation attributable to the



1 services so rendered by the person~~[-]~~, unless taxable
2 under chapters A or C;

3 ~~[-6-]~~ (5) Tax on service business~~[-]~~:

4 (A) Upon every person engaging or continuing within
5 the State in any service business or calling
6 including professional services not otherwise
7 specifically taxed under this chapter, chapter A,
8 or chapter C, there is likewise hereby levied and
9 shall be assessed and collected a tax equal to
10 four per cent of the gross income of the
11 business~~[, and in the case of a wholesaler under~~
12 ~~section 237-4(a)(10), the tax shall be equal to~~
13 ~~one-half of one per cent of the gross income of~~
14 ~~the business. Notwithstanding the foregoing, a~~
15 ~~wholesaler under section 237-4(a)(10) shall be~~
16 ~~subject to section 237-13.3.~~

17 ~~(B)~~ The department may require that the person
18 rendering a service at wholesale take from the
19 licensed seller a certificate, in a form
20 prescribed by the department, certifying that the
21 sale is a sale at wholesale; provided that:



- 1 ~~(i) Any licensed seller who furnishes a~~
2 ~~certificate shall be obligated to pay to the~~
3 ~~person rendering the service, upon demand,~~
4 ~~the amount of additional tax that is imposed~~
5 ~~upon the seller whenever the sale is not at~~
6 ~~wholesale; and~~
- 7 ~~(ii) The absence of a certificate in itself shall~~
8 ~~give rise to the presumption that the sale~~
9 ~~is not at wholesale unless the person~~
10 ~~rendering the sale is exclusively rendering~~
11 ~~services at wholesale.~~
- 12 ~~(C) Where any person engaging or continuing within~~
13 ~~the State in any service business or calling~~
14 ~~renders those services upon the order of or at~~
15 ~~the request of another taxpayer who is engaged in~~
16 ~~the service business and who, in fact, acts as or~~
17 ~~acts in the nature of an intermediary between the~~
18 ~~person rendering those services and the ultimate~~
19 ~~recipient of the benefits of those services, so~~
20 ~~much of the gross income as is received by the~~
21 ~~person rendering the services shall be subjected~~
22 ~~to the tax at the rate of one half of one per~~



1 ~~cent and all of the gross income received by the~~
2 ~~intermediary from the principal shall be~~
3 ~~subjected to a tax at the rate of four per cent.~~
4 ~~Where the taxpayer is subject to both this~~
5 ~~subparagraph and to the lowest tax rate under~~
6 ~~subparagraph (A), the taxpayer shall be taxed~~
7 ~~under this subparagraph. This subparagraph shall~~
8 ~~be repealed on January 1, 2006.]~~;

9 [-D+] (B) Where any person is engaged in the business
10 of selling interstate or foreign common carrier
11 telecommunication services within and without the
12 State, other than as a home service provider, the
13 tax shall be imposed on that portion of gross
14 income received by a person from service which is
15 originated or terminated in this State and is
16 charged to a telephone number, customer, or
17 account in this State notwithstanding any other
18 state law (except for the exemption under section
19 237-23(a)(1)) to the contrary. If, under the
20 Constitution and laws of the United States, the
21 entire gross income as determined under this
22 paragraph of a business selling interstate or



1 foreign common carrier telecommunication services
2 cannot be included in the measure of the tax, the
3 gross income shall be apportioned as provided in
4 section 237-21; provided that the apportionment
5 factor and formula shall be the same for all
6 persons providing those services in the State~~(-)~~;

7 ~~(E)~~ (C) Where any person is engaged in the business
8 of a home service provider, the tax shall be
9 imposed on the gross income received or derived
10 from providing interstate or foreign mobile
11 telecommunications services to a customer with a
12 place of primary use in this State when ~~such~~
13 the services originate in one state and terminate
14 in another state, territory, or foreign country;
15 provided that all charges for mobile
16 telecommunications services ~~which~~ that are
17 billed by or for the home service provider are
18 deemed to be provided by the home service
19 provider at the customer's place of primary use,
20 regardless of where the mobile telecommunications
21 originate, terminate, or pass through; provided
22 further that the income from charges specifically



1 derived from interstate or foreign mobile
2 telecommunications services, as determined by
3 books and records that are kept in the regular
4 course of business by the home service provider
5 in accordance with section 239-24, shall be
6 apportioned under any apportionment factor or
7 formula adopted under [~~section 237-13(6)(D).~~]
8 subparagraph (B). Gross income shall not
9 include:

10 (i) Gross receipts from mobile
11 telecommunications services provided to a
12 customer with a place of primary use outside
13 this State;

14 (ii) Gross receipts from mobile
15 telecommunications services that are subject
16 to the tax imposed by chapter 239;

17 (iii) Gross receipts from mobile
18 telecommunications services taxed under
19 section 237-13.8; and

20 (iv) Gross receipts of a home service provider
21 acting as a serving carrier providing mobile



1 telecommunications services to another home
2 service provider's customer[-];

3 For the purposes of this paragraph, "charges for
4 mobile telecommunications services", "customer",
5 "home service provider", "mobile
6 telecommunications services", "place of primary
7 use", and "serving carrier" have the same meaning
8 as in section 239-22[-]; and

9 ~~[-7) Tax on producers. Upon every person engaged as a
10 licensed producer pursuant to chapter 431, there is
11 hereby levied and shall be assessed and collected a
12 tax equal to 0.15 per cent of the commissions due to
13 that activity.~~

14 ~~[-8) Tax on receipts of sugar benefit payments. Upon the
15 amounts received from the United States government by
16 any producer of sugar (or the producer's legal
17 representative or heirs), as defined under and by
18 virtue of the Sugar Act of 1948, as amended, or other
19 Acts of the Congress of the United States relating
20 thereto, there is hereby levied a tax of one-half of
21 one per cent of the gross amount received; provided
22 that the tax levied hereunder on any amount so~~



1 ~~received and actually disbursed to another by a~~
2 ~~producer in the form of a benefit payment shall be~~
3 ~~paid by the person or persons to whom the amount is~~
4 ~~actually disbursed, and the producer actually making a~~
5 ~~benefit payment to another shall be entitled to claim~~
6 ~~on the producer's return a deduction from the gross~~
7 ~~amount taxable hereunder in the sum of the amount so~~
8 ~~disbursed. The amounts taxed under this paragraph~~
9 ~~shall not be taxable under any other paragraph,~~
10 ~~subsection, or section of this chapter.~~

11 ~~(9)]~~ (6) Tax on other business. Upon every person
12 engaging or continuing within the State in any
13 business, trade, activity, occupation, or calling not
14 included in the preceding paragraphs or any other
15 provisions of this chapter, there is likewise hereby
16 levied and shall be assessed and collected, a tax
17 equal to four per cent of the gross income thereof.
18 In addition, the rate prescribed by this paragraph
19 shall apply to a business taxable under one or more of
20 the preceding paragraphs or other provisions of this
21 chapter, as to any gross income thereof not taxed
22 thereunder as gross income or gross proceeds of sales



1 or by taxing an equivalent value of products, unless
2 specifically exempted[-] or subject to tax under
3 chapter A or chapter C."

4 SECTION 13. Section 237-18, Hawaii Revised Statutes,
5 amended to read as follows:

6 **"§237-18 Further provisions as to application of tax. (a)**

7 Where a coin operated device produces gross income which is
8 divided between the owner or operator of the device, on the one
9 hand, and the owner or operator of the premises where the device
10 is located, on the other hand, the tax imposed by this chapter
11 shall apply to each [~~such~~] person with respect to the person's
12 portion of the proceeds, and no more.

13 (b) Where gate receipts or other admissions are divided
14 between the person furnishing or producing a play, concert,
15 lecture, athletic event, or similar spectacle (including any
16 motion picture showing) on the one hand, and a promoter
17 (including any proprietor or other operator of a motion picture
18 house) offering the spectacle to the public, on the other hand,
19 the tax imposed by this chapter, if the promoter is subject to
20 the tax imposed by this chapter, shall apply only to the
21 promoter measured by the whole of the proceeds, and the promoter
22 shall be authorized to deduct and withhold from the portion of



1 the proceeds payable to the person furnishing or producing the
2 spectacle the amount of the tax payable by the person upon such
3 portion. No tax shall apply to a promoter with respect to
4 [~~such~~] the portion of the proceeds as is payable to a person
5 furnishing or producing the spectacle, who is exempted by
6 section 237-23 from taxation upon [~~such~~] the activity.

7 ~~[(c) Where, through the activity of a person taxable under~~
8 ~~section 237-13(6), a product has been milled, processed, or~~
9 ~~otherwise manufactured upon the order of another taxpayer who is~~
10 ~~a manufacturer taxable upon the value of the entire manufactured~~
11 ~~products, which consists in part of the value of the services~~
12 ~~taxable under section 237-13(6), so much gross income as is~~
13 ~~derived from the rendering of the services shall be subjected to~~
14 ~~tax on the person rendering the services at the rate of one-half~~
15 ~~of one per cent, and the value of the entire product shall be~~
16 ~~included in the measure of the tax imposed on the other taxpayer~~
17 ~~as elsewhere provided.~~

18 ~~(d) Where, through the activity of a person taxable under~~
19 ~~section 237-13(6), there have been rendered to a cane planter~~
20 ~~services consisting in the harvesting or hauling of the cane, or~~
21 ~~consisting in road maintenance, under a contract between the~~
22 ~~person rendering the services and the cane planter, covering the~~



1 ~~services and also the milling of the sugar, the services of~~
2 ~~harvesting and hauling the cane and road maintenance shall be~~
3 ~~treated the same as the service of milling the cane, as provided~~
4 ~~by subsection (c), and the value of the entire product,~~
5 ~~manufactured or sold for the cane planter under the contract,~~
6 ~~shall be included in the measure of the tax imposed on the~~
7 ~~person as elsewhere provided.~~

8 ~~(e)] (c)~~ Where [~~insurance agents, including general~~
9 ~~agents, subagents, or solicitors, who are not employees and are~~
10 ~~licensed pursuant to chapter 431, or]~~ real estate brokers or
11 salespersons, who are not employees and are licensed pursuant to
12 chapter 467, produce commissions [~~which]~~ that are divided
13 between [~~such general agents, subagents, or solicitors, or~~
14 ~~between such]~~ real estate brokers or salespersons, [~~as the case~~
15 ~~may be,~~] the tax levied under section [~~237-13(6)]~~ 237-13(5) as
16 to real estate brokers or salespersons [~~, or under section 237-~~
17 ~~13(7) as to insurance general agents, subagents, or solicitors]~~
18 shall apply to each [~~such]~~ person with respect to the person's
19 portion of the commissions, and no more.

20 ~~(f)] (d)~~ Where tourism related services are furnished
21 through arrangements made by a travel agency or tour packager
22 and the gross income is divided between the provider of the



1 services and the travel agency or tour packager, the tax imposed
2 by this chapter shall apply to each [~~such~~] person with respect
3 to [~~such~~] the person's respective portion of the proceeds, and
4 no more.

5 As used in this subsection "tourism related services" means
6 catamaran cruises, canoe rides, dinner cruises, lei greetings,
7 transportation included in a tour package, sightseeing tours not
8 subject to chapter 239, admissions to luaus, dinner shows,
9 extravaganzas, cultural and educational facilities, and other
10 services rendered directly to the customer or tourist, but only
11 if the providers of the services other than air transportation
12 are subject to a four per cent tax under this chapter or chapter
13 239.

14 [~~(g)~~] (e) Where transient accommodations are furnished
15 through arrangements made by a travel agency or tour packager at
16 noncommissioned negotiated contract rates and the gross income
17 is divided between the operator of transient accommodations on
18 the one hand and the travel agency or tour packager on the other
19 hand, the tax imposed by this chapter shall apply to each [~~such~~]
20 person with respect to [~~such~~] the person's respective portion of
21 the proceeds, and no more.



1 As used in this subsection, the words "transient
2 accommodations" and "operator" shall be defined in the same
3 manner as they are defined in section 237D-1.

4 [~~h~~] (f) Where the transportation of passengers or
5 property is furnished through arrangements between motor
6 carriers, and the gross income is divided between the motor
7 carriers, any tax imposed by this chapter shall apply to each
8 motor carrier with respect to each motor carrier's respective
9 portion of the proceeds.

10 As used in this subsection:

11 "Carrier" means a person who engages in transportation, and
12 does not include a person such as a freight forwarder or tour
13 packager who provides transportation by contracting with others,
14 except to the extent that [~~such~~] the person [~~oneself~~] engages in
15 transportation.

16 "Contract carrier" means a person other than a public
17 utility as defined under section 239-2 or taxicab, which under
18 contracts or agreements, engages in the transportation of
19 persons or property for compensation, by land, water, or air.

20 "Motor carrier" means a common carrier or contract carrier
21 transporting persons or property for compensation on the public



1 highways, other than a public utility as defined under section
2 239-2 or taxicab.

3 "Public highways" has the meaning defined by section 264-1
4 including both state and county highways, but operation upon
5 rails shall not be deemed transportation on the public
6 highways."

7 SECTION 14. Section 237-21, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "**§237-21 Apportionment.** If any person[~~, other than~~
10 ~~persons liable to the tax on manufacturers as provided by~~
11 ~~section 237-13(1),~~] is engaged in business both within and
12 without the State or in selling goods for delivery outside the
13 State, and if under the Constitution or laws of the United
14 States or section 237-29.5 the entire gross income of [~~such~~] the
15 person cannot be included in the measure of this tax, there
16 shall be apportioned to the State and included in the measure of
17 the tax that portion of the gross income [~~which~~] that is derived
18 from activities within the State, to the extent that the
19 apportionment is required by the Constitution or laws of the
20 United States or section 237-29.5. [~~In the case of a tax upon~~
21 ~~the production of property in the State the apportionment shall~~
22 ~~be determined as in the case of the tax on manufacturers.] In~~



1 other cases, if and to the extent that the apportionment cannot
 2 be accurately made by separate accounting methods, there shall
 3 be apportioned to the State and included in the measure of this
 4 tax that proportion of the total gross income, so requiring
 5 apportionment, which the cost of doing business within the
 6 State, applicable to the gross income, bears to the cost of
 7 doing business both within and without the State, applicable to
 8 the gross income."

9 SECTION 15. Section 237-24, Hawaii Revised Statutes, is
 10 amended to read as follows:

11 "**§237-24 Amounts not taxable.** This chapter shall not
 12 apply to the following amounts:

- 13 (1) Amounts received under life insurance policies and
 14 contracts paid by reason of the death of the insured;
- 15 (2) Amounts received (other than amounts paid by reason of
 16 death of the insured) under life insurance, endowment,
 17 or annuity contracts, either during the term or at
 18 maturity or upon surrender of the contract;
- 19 (3) Amounts received under any accident insurance or
 20 health insurance policy or contract or under workers'
 21 compensation acts or employers' liability acts, as
 22 compensation for personal injuries, death, or



- 1 sickness, including also the amount of any damages or
2 other compensation received, whether as a result of
3 action or by private agreement between the parties on
4 account of the personal injuries, death, or sickness;
- 5 (4) The value of all property of every kind and sort
6 acquired by gift, bequest, or devise, and the value of
7 all property acquired by descent or inheritance;
- 8 (5) Amounts received by any person as compensatory damages
9 for any tort injury to the person, or to the person's
10 character reputation, or received as compensatory
11 damages for any tort injury to or destruction of
12 property, whether as the result of action or by
13 private agreement between the parties (provided that
14 amounts received as punitive damages for tort injury
15 or breach of contract injury shall be included in
16 gross income);
- 17 (6) Amounts received as salaries or wages for services
18 rendered by an employee to an employer;
- 19 (7) Amounts received as alimony and other similar payments
20 and settlements;
- 21 (8) Amounts collected by distributors as fuel taxes on
22 "liquid fuel" imposed by chapter 243, and the amounts



1 collected by [~~such~~] distributors as a fuel tax imposed
2 by any Act of the Congress of the United States;

3 (9) Taxes on liquor imposed by chapter 244D on dealers
4 holding permits under that chapter;

5 [~~(10)~~] ~~The amounts of taxes on cigarettes and tobacco~~
6 ~~products imposed by chapter 245 on wholesalers or~~
7 ~~dealers holding licenses under that chapter and~~
8 ~~selling the products at wholesale;~~

9 ~~(11)~~] (10) Federal excise taxes imposed on articles sold at
10 retail and collected from the purchasers thereof and
11 paid to the federal government by the retailer;

12 [~~(12)~~] ~~The amounts of federal taxes under chapter 37 of the~~
13 ~~Internal Revenue Code, or similar federal taxes,~~
14 ~~imposed on sugar manufactured in the State, paid by~~
15 ~~the manufacturer to the federal government;~~

16 ~~(13)~~] (11) [~~An amount up to, but not in excess of, \$2,000 a~~
17 ~~year of gross income]~~ Amounts received by any blind,
18 deaf, or totally disabled person engaging, or
19 continuing, in any business, trade, activity,
20 occupation, or calling within the State; a corporation
21 all of whose outstanding shares are owned by an
22 individual or individuals who are blind, deaf, or



1 totally disabled; a general, limited, or limited
2 liability partnership, all of whose partners are
3 blind, deaf, or totally disabled; or a limited
4 liability company, all of whose members are blind,
5 deaf, or totally disabled;

6 ~~[(14) Amounts received by a producer of sugarcane from the~~
7 ~~manufacturer to whom the producer sells the sugarcane,~~
8 ~~where:~~

9 ~~(A) The producer is an independent cane farmer, so~~
10 ~~classed by the Secretary of Agriculture under the~~
11 ~~Sugar Act of 1948 (61 Stat. 922, Chapter 519) as~~
12 ~~the Act may be amended or supplemented;~~

13 ~~(B) The value or gross proceeds of sale of the sugar,~~
14 ~~and other products manufactured from the~~
15 ~~sugarcane, is included in the measure of the tax~~
16 ~~levied on the manufacturer under section 237-~~
17 ~~13(1) or (2);~~

18 ~~(C) The producer's gross proceeds of sales are~~
19 ~~dependent upon the actual value of the products~~
20 ~~manufactured therefrom or the average value of~~
21 ~~all similar products manufactured by the~~
22 ~~manufacturer; and~~



1 ~~(D) The producer's gross proceeds of sales are~~
2 ~~reduced by reason of the tax on the value or sale~~
3 ~~of the manufactured products;~~

4 ~~(15)]~~ (12) Money paid by the State or eleemosynary child-
5 placing organizations to foster parents for their care
6 of children in foster homes; and

7 ~~[(16)]~~ (13) Amounts received by a cooperative housing
8 corporation from its shareholders in reimbursement of
9 funds paid by ~~[such]~~ the corporation for lease rental,
10 real property taxes, and other expenses of operating
11 and maintaining the cooperative land and improvements;
12 provided that ~~[such a]~~ the cooperative corporation is
13 a corporation:

14 (A) Having one and only one class of stock
15 outstanding;

16 (B) Each of the stockholders of which is entitled
17 solely by reason of the stockholder's ownership
18 of stock in the corporation, to occupy for
19 dwelling purposes a house, or an apartment in a
20 building owned or leased by the corporation; and

21 (C) No stockholder of which is entitled (either
22 conditionally or unconditionally) to receive any



1 distribution not out of earnings and profits of
2 the corporation except in a complete or partial
3 liquidation of the corporation."

4 SECTION 16. Section 237-24.3, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "**§237-24.3 Additional amounts not taxable.** In addition to
7 the amounts not taxable under section 237-24, this chapter shall
8 not apply to:

9 (1) Amounts received from the loading, transportation, and
10 unloading of agricultural commodities shipped for a
11 producer or produce dealer on one island of this State
12 to a person, firm, or organization on another island
13 of this State. The terms "agricultural commodity",
14 "producer", and "produce dealer" shall be defined in
15 the same manner as they are defined in section 147-1;
16 provided that agricultural commodities need not have
17 been produced in the State;

18 (2) Amounts received from sales of:
19 (A) Intoxicating liquor as the term "liquor" is
20 defined in chapter 244D;
21 (B) Cigarettes and tobacco products as defined in
22 chapter 245; and



- 1 (C) Agricultural, meat, or fish products;
- 2 to any person or common carrier in interstate or
- 3 foreign commerce, or both, whether ocean-going or air,
- 4 for consumption out-of-state on the shipper's vessels
- 5 or airplanes;
- 6 (3) Amounts received by the manager or board of directors
- 7 of:
- 8 (A) An association of apartment owners of a
- 9 condominium property regime established in
- 10 accordance with chapter 514B; or
- 11 (B) A nonprofit homeowners or community association
- 12 incorporated in accordance with chapter 414D or
- 13 any predecessor thereto and existing pursuant to
- 14 covenants running with the land,
- 15 in reimbursement of sums paid for common expenses;
- 16 (4) Amounts received or accrued from:
- 17 (A) The loading or unloading of cargo from ships,
- 18 barges, vessels, or aircraft, whether or not the
- 19 ships, barges, vessels, or aircraft travel
- 20 between the State and other states or countries
- 21 or between the islands of the State;



1 (B) Tugboat services including pilotage fees
2 performed within the State, and the towage of
3 ships, barges, or vessels in and out of state
4 harbors, or from one pier to another; and
5 (C) The transportation of pilots or governmental
6 officials to ships, barges, or vessels offshore;
7 rigging gear; checking freight and similar
8 services; standby charges; and use of moorings
9 and running mooring lines;
10 (5) Amounts received by an employee benefit plan by way of
11 contributions, dividends, interest, and other income;
12 and amounts received by a nonprofit organization or
13 office, as payments for costs and expenses incurred
14 for the administration of an employee benefit plan;
15 provided that this exemption shall not apply to any
16 gross rental income or gross rental proceeds received
17 after June 30, 1994, as income from investments in
18 real property in this State; and provided further that
19 gross rental income or gross rental proceeds from
20 investments in real property received by an employee
21 benefit plan after June 30, 1994, under written
22 contracts executed prior to July 1, 1994, shall not be



1 taxed until the contracts are renegotiated, renewed,
2 or extended, or until after December 31, 1998,
3 whichever is earlier. For the purposes of this
4 paragraph, "employee benefit plan" means any plan as
5 defined in section 1002(3) of title 29 of the United
6 States Code, as amended;

7 (6) Amounts received for purchases made with United States
8 Department of Agriculture food coupons under the
9 federal food stamp program, and amounts received for
10 purchases made with United States Department of
11 Agriculture food vouchers under the Special
12 Supplemental Foods Program for Women, Infants and
13 Children;

14 (7) Amounts received by a hospital, infirmary, medical
15 clinic, health care facility, pharmacy, or a
16 practitioner licensed to administer the drug to an
17 individual for selling prescription drugs or
18 prosthetic devices to an individual; provided that
19 this paragraph shall not apply to any amounts received
20 for services provided in selling prescription drugs or
21 prosthetic devices. As used in this paragraph:



- 1 (A) "Prescription drugs" are those drugs defined
2 under section 328-1 and dispensed by filling or
3 refilling a written or oral prescription by a
4 practitioner licensed under law to administer the
5 drug and sold by a licensed pharmacist under
6 section 328-16 or practitioners licensed to
7 administer drugs; and
- 8 (B) "Prosthetic device" means [~~any artificial device~~
9 ~~or appliance, instrument, apparatus, or~~
10 ~~contrivance, including their components, parts,~~
11 ~~accessories, and replacements thereof, used to~~
12 ~~replace a missing or surgically removed part of~~
13 ~~the human body, which is prescribed by a licensed~~
14 ~~practitioner of medicine, osteopathy, or podiatry~~
15 ~~and which is sold by the practitioner or which is~~
16 ~~dispensed and sold by a dealer of prosthetic~~
17 ~~devices; provided that "prosthetic device" shall~~
18 ~~not mean any auditory, ophthalmic, dental, or~~
19 ~~ocular device or appliance, instrument,~~
20 ~~apparatus, or contrivance;~~] a replacement,
21 corrective, or supportive device including repair



- 1 and replacement parts for the device, worn on or
- 2 in the body to:
- 3 (i) Artificially replace a missing portion of
- 4 the body;
- 5 (ii) Prevent or correct physical deformity or
- 6 malfunction; or
- 7 (iii) Support a weak or deformed portion of the
- 8 body.

9 A prosthetic device does not include corrective
 10 eyeglasses, contact lenses, hearing aids, and
 11 dental prothesis;

12 (8) Taxes on transient accommodations imposed by chapter
 13 237D and passed on and collected by operators holding
 14 certificates of registration under that chapter;

15 (9) Amounts received as dues by an unincorporated
 16 merchants association from its membership for
 17 advertising media, promotional, and advertising costs
 18 for the promotion of the association for the benefit
 19 of its members as a whole and not for the benefit of
 20 an individual member or group of members less than the
 21 entire membership;



- 1 (10) Amounts received by a labor organization for real
- 2 property leased to:
- 3 (A) A labor organization; or
- 4 (B) A trust fund established by a labor organization
- 5 for the benefit of its members, families, and
- 6 dependents for medical or hospital care, pensions
- 7 on retirement or death of employees,
- 8 apprenticeship and training, and other membership
- 9 service programs.

10 As used in this paragraph, "labor organization" means

11 a labor organization exempt from federal income tax

12 under section 501(c)(5) of the Internal Revenue Code,

13 as amended;

- 14 (11) Amounts received from foreign diplomats and consular
- 15 officials who are holding cards issued or authorized
- 16 by the United States Department of State granting them
- 17 an exemption from state taxes; and

- 18 (12) Amounts received as rent for the rental or leasing of
- 19 aircraft or aircraft engines used by the lessees or
- 20 renters for interstate air transportation of
- 21 passengers and goods. For purposes of this paragraph,
- 22 payments made pursuant to a lease shall be considered



1 rent regardless of whether the lease is an operating
2 lease or a financing lease. The definition of
3 "interstate air transportation" is the same as in 49
4 U.S.C. 40102."

5 SECTION 17. Section 237-34, Hawaii Revised Statutes, is
6 amended by amending subsection (b) to read as follows:

7 "(b) All tax returns and return information required to be
8 filed under this chapter, and the report of any investigation of
9 the return or of the subject matter of the return, shall be
10 confidential. It shall be unlawful for any person or any
11 officer or employee of the State to intentionally make known
12 information imparted by any tax return or return information
13 filed pursuant to this chapter, or any report of any
14 investigation of the return or of the subject matter of the
15 return, or to wilfully permit any [~~such~~] return, return
16 information, or report so made, or any copy thereof, to be seen
17 or examined by any person; provided that for tax purposes only
18 the taxpayer, the taxpayer's authorized agent, or persons with a
19 material interest in the return, return information, or report
20 may examine them. Unless otherwise provided by law, persons
21 with a material interest in the return, return information, or
22 report shall include:



- 1 (1) Trustees;
- 2 (2) Partners;
- 3 (3) Persons named in a board resolution or a one per cent
4 shareholder in case of a corporate return;
- 5 (4) The person authorized to act for a corporation in
6 dissolution;
- 7 (5) The shareholder of an S corporation;
- 8 (6) The personal representative, trustee, heir, or
9 beneficiary of an estate or trust in case of the
10 estate's or decedent's return;
- 11 (7) The committee, trustee, or guardian of any person in
12 paragraphs (1) to (6) who is incompetent;
- 13 (8) The trustee in bankruptcy or receiver, and the
14 attorney-in-fact of any person in paragraphs (1) to
15 (7);
- 16 (9) Persons duly authorized by the State in connection
17 with their official duties;
- 18 (10) Any duly accredited tax official of the United States
19 or of any state or territory;
- 20 (11) The Multistate Tax Commission or its authorized
21 representative;
- 22 (12) Members of a limited liability company; [~~and~~]



1 (13) A person contractually obligated to pay the taxes
2 assessed against another when the latter person is
3 under audit by the department[-]; and

4 (14) The Streamlined Sales Tax Governing Board,
5 Incorporated, or its authorized representative.

6 Any violation of this subsection shall be a misdemeanor."

7 SECTION 18. Section 238-2, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "**§238-2 Imposition of tax on tangible personal property;**
10 **exemptions.** There is hereby levied an excise tax on the use in
11 this State of tangible personal property [~~which~~] that is
12 imported by a taxpayer in this State whether owned, purchased
13 from an unlicensed seller, or however acquired for use in this
14 State[-], unless subject to tax or exempt from tax under chapter
15 B. The tax imposed by this chapter shall accrue when the
16 property is acquired by the importer or purchaser and becomes
17 subject to the taxing jurisdiction of the State. The [~~rates~~]
18 rate of the tax hereby imposed [~~and the exemptions thereof are~~
19 ~~as follows:~~

20 ~~(1) If the importer or purchaser is licensed under chapter~~
21 ~~237 and is:~~



1 ~~(A) A wholesaler or jobber importing or purchasing~~
2 ~~for purposes of sale or resale; or~~
3 ~~(B) A manufacturer importing or purchasing material~~
4 ~~or commodities which are to be incorporated by~~
5 ~~the manufacturer into a finished or saleable~~
6 ~~product (including the container or package in~~
7 ~~which the product is contained) wherein it will~~
8 ~~remain in such form as to be perceptible to the~~
9 ~~senses, and which finished or saleable product is~~
10 ~~to be sold in such manner as to result in a~~
11 ~~further tax on the activity of the manufacturer~~
12 ~~as the manufacturer or as a wholesaler, and not~~
13 ~~as a retailer,~~
14 ~~there shall be no tax; provided that if the~~
15 ~~wholesaler, jobber, or manufacturer is also engaged in~~
16 ~~business as a retailer (so classed under chapter 237),~~
17 ~~paragraph (2) shall apply to the wholesaler, jobber,~~
18 ~~or manufacturer, but the director of taxation shall~~
19 ~~refund to the wholesaler, jobber, or manufacturer, in~~
20 ~~the manner provided under section 231-23(c) such~~
21 ~~amount of tax as the wholesaler, jobber, or~~
22 ~~manufacturer shall, to the satisfaction of the~~



1 ~~director, establish to have been paid by the~~
2 ~~wholesaler, jobber, or manufacturer to the director~~
3 ~~with respect to property which has been used by the~~
4 ~~wholesaler, jobber, or manufacturer for the purposes~~
5 ~~stated in this paragraph;~~

6 ~~(2) If the importer or purchaser is licensed under chapter~~
7 ~~237 and is:~~

8 ~~(A) A retailer or other person importing or~~
9 ~~purchasing for purposes of sale or resale, not~~
10 ~~exempted by paragraph (1);~~

11 ~~(B) A manufacturer importing or purchasing material~~
12 ~~or commodities which are to be incorporated by~~
13 ~~the manufacturer into a finished or saleable~~
14 ~~product (including the container or package in~~
15 ~~which the product is contained) wherein it will~~
16 ~~remain in such form as to be perceptible to the~~
17 ~~senses, and which finished or saleable product is~~
18 ~~to be sold at retail in this State, in such~~
19 ~~manner as to result in a further tax on the~~
20 ~~activity of the manufacturer in selling such~~
21 ~~products at retail;~~



- 1 ~~(C) A contractor importing or purchasing material or~~
2 ~~commodities which are to be incorporated by the~~
3 ~~contractor into the finished work or project~~
4 ~~required by the contract and which will remain in~~
5 ~~such finished work or project in such form as to~~
6 ~~be perceptible to the senses;~~
- 7 ~~(D) A person engaged in a service business or calling~~
8 ~~as defined in section 237-7, or a person~~
9 ~~furnishing transient accommodations subject to~~
10 ~~the tax imposed by section 237D-2, in which the~~
11 ~~import or purchase of tangible personal property~~
12 ~~would have qualified as a sale at wholesale as~~
13 ~~defined in section 237-4(a)(8) had the seller of~~
14 ~~the property been subject to the tax in chapter~~
15 ~~237; or~~
- 16 ~~(E) A publisher of magazines or similar printed~~
17 ~~materials containing advertisements, when the~~
18 ~~publisher is under contract with the advertisers~~
19 ~~to distribute a minimum number of magazines or~~
20 ~~similar printed materials to the public or~~
21 ~~defined segment of the public, whether or not~~
22 ~~there is a charge to the persons who actually~~



1 ~~receive the magazines or similar printed~~
2 ~~materials,~~
3 ~~the tax shall be one half of one per cent of the~~
4 ~~purchase price of the property, if the purchase and~~
5 ~~sale are consummated in Hawaii, or, if there is no~~
6 ~~purchase price applicable thereto, or if the purchase~~
7 ~~or sale is consummated outside of Hawaii, then one-~~
8 ~~half of one per cent of the value of such property;~~
9 ~~and~~
10 ~~(3) In all other cases,~~ is four per cent of the value of
11 the property.

12 For purposes of this section, tangible personal property is
13 property that is imported by the taxpayer for use in this State,
14 notwithstanding the fact that title to the property, or the risk
15 of loss to the property, passes to the purchaser of the property
16 at a location outside this State."

17 SECTION 19. Section 238-2.3, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "**§238-2.3 Imposition of tax on imported services or**
20 **contracting; exemptions.** There is hereby levied an excise tax
21 on the value of services or contracting as defined in section
22 237-6 that are performed by an unlicensed seller at a point



1 outside the State and imported or purchased for use in this
2 State~~[-]~~, unless subject to tax or exempt from tax under chapter
3 B. The tax imposed by this chapter shall accrue when the
4 service or contracting as defined in section 237-6 is received
5 by the importer or purchaser and becomes subject to the taxing
6 jurisdiction of the State. The ~~[rates]~~ rate of the tax hereby
7 imposed ~~[and the exemptions from the tax are as follows:]~~

8 ~~(1) If the importer or purchaser is licensed under chapter~~
9 ~~237 and is:~~

10 ~~(A) Engaged in a service business or calling in which~~
11 ~~the imported or purchased services or contracting~~
12 ~~become identifiable elements, excluding overhead,~~
13 ~~of the services rendered by the importer or~~
14 ~~purchaser, and the gross income of the importer~~
15 ~~or purchaser is subject to the tax imposed under~~
16 ~~chapter 237 on services at the rate of one-half~~
17 ~~of one per cent or the rate of tax imposed under~~
18 ~~section 237-13.3; or~~

19 ~~(B) A manufacturer importing or purchasing services~~
20 ~~or contracting that become identifiable elements,~~
21 ~~excluding overhead, of a finished or saleable~~
22 ~~product (including the container or package in~~



1 ~~which the product is contained) and the finished~~
2 ~~or saleable product is to be sold in a manner~~
3 ~~that results in a further tax on the manufacturer~~
4 ~~as a wholesaler, and not a retailer;~~
5 ~~there shall be no tax imposed on the value of the~~
6 ~~imported or purchased services or contracting;~~
7 ~~provided that if the manufacturer is also engaged in~~
8 ~~business as a retailer as classified under chapter~~
9 ~~237, paragraph (2) shall apply to the manufacturer,~~
10 ~~but the director of taxation shall refund to the~~
11 ~~manufacturer, in the manner provided under section~~
12 ~~231-23(c), that amount of tax that the manufacturer,~~
13 ~~to the satisfaction of the director, shall establish~~
14 ~~to have been paid by the manufacturer to the director~~
15 ~~with respect to services that have been used by the~~
16 ~~manufacturer for the purposes stated in this~~
17 ~~paragraph.~~

18 ~~(2) If the importer or purchaser is a person licensed~~
19 ~~under chapter 237 and is:~~

20 ~~(A) Engaged in a service business or calling in which~~
21 ~~the imported or purchased services or contracting~~
22 ~~become identifiable elements, excluding overhead,~~



1 ~~of the services rendered by the importer or~~
2 ~~purchaser, and the gross income from those~~
3 ~~services when sold by the importer or purchaser~~
4 ~~is subject to the tax imposed under chapter 237~~
5 ~~at the highest rate;~~

6 ~~(B) A manufacturer importing or purchasing services~~
7 ~~or contracting that become identifiable elements,~~
8 ~~excluding overhead, of the finished or saleable~~
9 ~~manufactured product (including the container or~~
10 ~~package in which the product is contained) and~~
11 ~~the finished or saleable product is to be sold in~~
12 ~~a manner that results in a further tax under~~
13 ~~chapter 237 on the activity of the manufacturer~~
14 ~~as a retailer; or~~

15 ~~(C) A contractor importing or purchasing services or~~
16 ~~contracting that become identifiable elements,~~
17 ~~excluding overhead, of the finished work or~~
18 ~~project required, under the contract, and where~~
19 ~~the gross proceeds derived by the contractor are~~
20 ~~subject to the tax under section 237-13(3) as a~~
21 ~~contractor;~~



1 ~~the tax shall be one-half of one per cent of the value~~
2 ~~of the imported or purchased services or contracting,~~
3 and
4 ~~(3) In all other cases, the importer or purchaser is~~
5 ~~subject to the tax at the rate of] is~~ four per cent on
6 the value of the imported or purchased services or
7 contracting."

8 SECTION 20. Section 238-2.6, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) The county surcharge on state tax, upon the adoption
11 of a county ordinance and in accordance with the requirements of
12 section 46-16.8, shall be levied, assessed, and collected as
13 provided in this section on the value of property and services
14 taxable under this chapter. No county shall set the surcharge
15 on state tax at a rate greater than one-half per cent of the
16 value of property taxable under this chapter. All provisions of
17 this chapter shall apply to the county surcharge on state tax.
18 No county shall conduct an independent audit of sellers
19 registered under the streamlined sales tax agreement. With
20 respect to the surcharge, the director shall have all the rights
21 and powers provided under this chapter. In addition, the
22 director of taxation shall have the exclusive rights and power



1 to determine the county or counties in which a person imports or
2 purchases tangible personal property and, in the case of a
3 person importing or purchasing tangible property in more than
4 one county, the director shall determine, through apportionment
5 or other means, that portion of the surcharge on state tax
6 attributable to the importation or purchase in each county."

7 SECTION 21. Section 237-4, Hawaii Revised Statutes, is
8 repealed.

9 [~~"§237-4 "Wholesaler", "jobber", defined. (a)~~

10 ~~"Wholesaler" or "jobber" applies only to a person making sales~~
11 ~~at wholesale. Only the following are sales at wholesale:~~

12 ~~(1) Sales to a licensed retail merchant, jobber, or other~~
13 ~~licensed seller for purposes of resale;~~

14 ~~(2) Sales to a licensed manufacturer of materials or~~
15 ~~commodities that are to be incorporated by the~~
16 ~~manufacturer into a finished or saleable product~~
17 ~~(including the container or package in which the~~
18 ~~product is contained) during the course of its~~
19 ~~preservation, manufacture, or processing, including~~
20 ~~preparation for market, and that will remain in such~~
21 ~~finished or saleable product in such form as to be~~
22 ~~perceptible to the senses, which finished or saleable~~



1 ~~product is to be sold and not otherwise used by the~~
2 ~~manufacturer;~~

3 ~~(3) Sales to a licensed producer or cooperative~~
4 ~~association of materials or commodities that are to be~~
5 ~~incorporated by the producer or by the cooperative~~
6 ~~association into a finished or saleable product that~~
7 ~~is to be sold and not otherwise used by the producer~~
8 ~~or cooperative association, including specifically~~
9 ~~materials or commodities expended as essential to the~~
10 ~~planting, growth, nurturing, and production of~~
11 ~~commodities that are sold by the producer or by the~~
12 ~~cooperative association;~~

13 ~~(4) Sales to a licensed contractor, of materials or~~
14 ~~commodities that are to be incorporated by the~~
15 ~~contractor into the finished work or project required~~
16 ~~by the contract and that will remain in such finished~~
17 ~~work or project in such form as to be perceptible to~~
18 ~~the senses;~~

19 ~~(5) Sales to a licensed producer, or to a cooperative~~
20 ~~association described in section 237-23(a)(7) for sale~~
21 ~~to a licensed producer, or to a licensed person~~
22 ~~operating a feed lot, of poultry or animal feed,~~



1 ~~hatching eggs, semen, replacement stock, breeding~~
2 ~~services for the purpose of raising or producing~~
3 ~~animal or poultry products for disposition as~~
4 ~~described in section 237-5 or for incorporation into a~~
5 ~~manufactured product as described in paragraph (2) or~~
6 ~~for the purpose of breeding, hatching, milking, or egg~~
7 ~~laying other than for the customer's own consumption~~
8 ~~of the meat, poultry, eggs, or milk so produced;~~
9 ~~provided that in the case of a feed lot operator, only~~
10 ~~the segregated cost of the feed furnished by the feed~~
11 ~~lot operator as part of the feed lot operator's~~
12 ~~service to a licensed producer of poultry or animals~~
13 ~~to be butchered or to a cooperative association~~
14 ~~described in section 237-23(a)(7) of such licensed~~
15 ~~producers shall be deemed to be a sale at wholesale;~~
16 ~~and provided further that any amount derived from the~~
17 ~~furnishing of feed lot services, other than the~~
18 ~~segregated cost of feed, shall be deemed taxable at~~
19 ~~the service business rate. This paragraph shall not~~
20 ~~apply to the sale of feed for poultry or animals to be~~
21 ~~used for hauling, transportation, or sports purposes;~~



- 1 ~~(6) Sales to a licensed producer, or to a cooperative~~
2 ~~association described in section 237-23(a)(7) for sale~~
3 ~~to the producer, of seed or seedstock for producing~~
4 ~~agricultural and aquacultural products, or bait for~~
5 ~~catching fish (including the catching of bait for~~
6 ~~catching fish), which agricultural and aquacultural~~
7 ~~products or fish are to be disposed of as described in~~
8 ~~section 237-5 or to be incorporated in a manufactured~~
9 ~~product as described in paragraph (2);~~
- 10 ~~(7) Sales to a licensed producer, or to a cooperative~~
11 ~~association described in section 237-23(a)(7) for sale~~
12 ~~to such producer, of polypropylene shade cloth; of~~
13 ~~polyfilm; of polyethylene film; of cartons and such~~
14 ~~other containers, wrappers, and sacks, and binders to~~
15 ~~be used for packaging eggs, vegetables, fruits, and~~
16 ~~other agricultural and aquacultural products; of~~
17 ~~seedlings and cuttings for producing nursery plants or~~
18 ~~aquacultural products; or of chick containers; which~~
19 ~~cartons and such other containers, wrappers, and~~
20 ~~sacks, binders, seedlings, cuttings, and containers~~
21 ~~are to be used as described in section 237-5, or to be~~



1 ~~incorporated in a manufactured product as described in~~
2 ~~paragraph (2);~~

3 ~~(8) Sales of tangible personal property:~~

4 ~~(A) To a licensed seller engaged in a service~~
5 ~~business or calling; provided that:~~

6 ~~(i) The property is not consumed or incidental~~
7 ~~to the performance of the services;~~

8 ~~(ii) There is a resale of the article at the~~
9 ~~retail rate of four per cent; and~~

10 ~~(iii) The resale of the article is separately~~
11 ~~charged or billed by the person rendering~~
12 ~~the services;~~

13 ~~(B) Where:~~

14 ~~(i) Tangible personal property is sold upon the~~
15 ~~order or request of a licensed seller for~~
16 ~~the purpose of rendering a service in the~~
17 ~~course of the person's service business or~~
18 ~~calling, or upon the order or request of a~~
19 ~~person subject to tax under section 237D-2~~
20 ~~for the purpose of furnishing transient~~
21 ~~accommodations;~~



1 ~~(ii) The tangible personal property becomes or is~~
2 ~~used as an identifiable element of the~~
3 ~~service rendered; and~~

4 ~~(iii) The cost of the tangible personal property~~
5 ~~does not constitute overhead to the licensed~~
6 ~~seller;~~

7 ~~the sale shall be subject to section 237-13.3; or~~

8 ~~(C) Where the taxpayer is subject to both~~
9 ~~subparagraphs (A) and (B), then the taxpayer~~
10 ~~shall be taxed under subparagraph (A).~~

11 ~~Subparagraphs (A) and (C) shall be repealed on~~
12 ~~January 1, 2006;~~

13 ~~(9) Sales to a licensed leasing company of capital goods~~
14 ~~that have a depreciable life, are purchased by the~~
15 ~~leasing company for lease to its customers, and are~~
16 ~~thereafter leased as a service to others;~~

17 ~~(10) Sales of services to a licensed seller engaging in a~~
18 ~~business or calling whenever:~~

19 ~~(A) Either:~~

20 ~~(i) In the context of a service-to-service~~
21 ~~transaction, a service is rendered upon the~~
22 ~~order or request of a licensed seller for~~



1 ~~the purpose of rendering another service in~~
2 ~~the course of the seller's service business~~
3 ~~or calling;~~

4 ~~(ii) In the context of a service to tangible~~
5 ~~personal property transaction, a service is~~
6 ~~rendered upon the order or request of a~~
7 ~~licensed seller for the purpose of~~
8 ~~manufacturing, producing, or preparing~~
9 ~~tangible personal property to be sold;~~

10 ~~(iii) In the context of a services to contracting~~
11 ~~transaction, a service is rendered upon the~~
12 ~~order or request of a licensed contractor as~~
13 ~~defined in section 237-6 for the purpose of~~
14 ~~assisting that licensed contractor; or~~

15 ~~(iv) In the context of a services to transient~~
16 ~~accommodations rental transaction, a service~~
17 ~~is rendered upon the order or request of a~~
18 ~~person subject to tax under section 237D-2~~
19 ~~for the purpose of furnishing transient~~
20 ~~accommodations;~~

21 ~~(B) The benefit of the service passes to the customer~~
22 ~~of the licensed seller, licensed contractor, or~~



1 ~~person furnishing transient accommodations as an~~
2 ~~identifiable element of the other service or~~
3 ~~property to be sold, the contracting, or the~~
4 ~~furnishing of transient accommodations;~~

5 ~~(C) The cost of the service does not constitute~~
6 ~~overhead to the licensed seller, licensed~~
7 ~~contractor, or person furnishing transient~~
8 ~~accommodations;~~

9 ~~(D) The gross income of the licensed seller is not~~
10 ~~divided between the licensed seller and another~~
11 ~~licensed seller, contractor, or person furnishing~~
12 ~~transient accommodations for imposition of the~~
13 ~~tax under this chapter;~~

14 ~~(E) The gross income of the licensed seller is not~~
15 ~~subject to a deduction under this chapter or~~
16 ~~chapter 237D; and~~

17 ~~(F) The resale of the service, tangible personal~~
18 ~~property, contracting, or transient~~
19 ~~accommodations is subject to the tax imposed~~
20 ~~under this chapter at the highest tax rate.~~

21 ~~Sales subject to this paragraph shall be subject to~~
22 ~~section 237-13.3;~~



- 1 ~~(11) Sales to a licensed retail merchant, jobber, or other~~
2 ~~licensed seller of bulk condiments or prepackaged~~
3 ~~single-serving packets of condiments that are provided~~
4 ~~to customers by the licensed retail merchant, jobber,~~
5 ~~or other licensed seller;~~
- 6 ~~(12) Sales to a licensed retail merchant, jobber, or other~~
7 ~~licensed seller of tangible personal property that~~
8 ~~will be incorporated or processed by the licensed~~
9 ~~retail merchant, jobber, or other licensed seller into~~
10 ~~a finished or saleable product during the course of~~
11 ~~its preparation for market (including disposable,~~
12 ~~nonreturnable containers, packages, or wrappers, in~~
13 ~~which the product is contained and that are generally~~
14 ~~known and most commonly used to contain food or~~
15 ~~beverage for transfer or delivery), and which finished~~
16 ~~or saleable product is to be sold and not otherwise~~
17 ~~used by the licensed retail merchant, jobber, or other~~
18 ~~licensed seller;~~
- 19 ~~(13) Sales of amusements subject to taxation under section~~
20 ~~237-13(4) to a licensed seller engaging in a business~~
21 ~~or calling whenever:~~
- 22 ~~(A) Either:~~



- 1 ~~(i) In the context of an amusement-to-service~~
- 2 ~~transaction, an amusement is rendered upon~~
- 3 ~~the order or request of a licensed seller~~
- 4 ~~for the purpose of rendering another service~~
- 5 ~~in the course of the seller's service~~
- 6 ~~business or calling;~~
- 7 ~~(ii) In the context of an amusement-to-tangible~~
- 8 ~~personal property transaction, an amusement~~
- 9 ~~is rendered upon the order or request of a~~
- 10 ~~licensed seller for the purpose of selling~~
- 11 ~~tangible personal property; or~~
- 12 ~~(iii) In the context of an amusement-to-amusement~~
- 13 ~~transaction, an amusement is rendered upon~~
- 14 ~~the order or request of a licensed seller~~
- 15 ~~for the purpose of rendering another~~
- 16 ~~amusement in the course of the person's~~
- 17 ~~amusement business;~~
- 18 ~~(B) The benefit of the amusement passes to the~~
- 19 ~~customer of the licensed seller as an~~
- 20 ~~identifiable element of the other service,~~
- 21 ~~tangible personal property to be sold, or~~
- 22 ~~amusement;~~



- 1 ~~(C) The cost of the amusement does not constitute~~
2 ~~overhead to the licensed seller;~~
- 3 ~~(D) The gross income of the licensed seller is not~~
4 ~~divided between the licensed seller and another~~
5 ~~licensed seller, person furnishing transient~~
6 ~~accommodations, or person rendering an amusement~~
7 ~~for imposition of the tax under chapter 237;~~
- 8 ~~(E) The gross income of the licensed seller is not~~
9 ~~subject to a deduction under this chapter; and~~
- 10 ~~(F) The resale of the service, tangible personal~~
11 ~~property, or amusement is subject to the tax~~
12 ~~imposed under this chapter at the highest rate.~~

13 ~~As used in this paragraph, "amusement" means~~
14 ~~entertainment provided as part of a show for which~~
15 ~~there is an admission charge. Sales subject to this~~
16 ~~paragraph shall be subject to section 237-13.3; and~~

- 17 ~~(14) Sales by a printer to a publisher of magazines or~~
18 ~~similar printed materials containing advertisements,~~
19 ~~when the publisher is under contract with the~~
20 ~~advertisers to distribute a minimum number of~~
21 ~~magazines or similar printed materials to the public~~
22 ~~or defined segment of the public, whether or not there~~



1 ~~is a charge to the persons who actually receive the~~
2 ~~magazines or similar printed materials.~~

3 ~~(b) If the use tax law is finally held by a court of~~
4 ~~competent jurisdiction to be unconstitutional or invalid insofar~~
5 ~~as it purports to tax the use or consumption of tangible~~
6 ~~personal property imported into the State in interstate or~~
7 ~~foreign commerce or both, wholesalers and jobbers shall be taxed~~
8 ~~thereafter under this chapter in accordance with the following~~
9 ~~definition (which shall supersede the preceding paragraph~~
10 ~~otherwise defining "wholesaler" or "jobber"): "Wholesaler" or~~
11 ~~"jobber" means a person, or a definitely organized division~~
12 ~~thereof, definitely organized to render and rendering a general~~
13 ~~distribution service that buys and maintains at the person's~~
14 ~~place of business a stock or lines of merchandise that the~~
15 ~~person distributes; and that the person, through salespersons,~~
16 ~~advertising, or sales promotion devices, sells to licensed~~
17 ~~retailers, to institutional or licensed commercial or industrial~~
18 ~~users, in wholesale quantities and at wholesale rates. A~~
19 ~~corporation deemed not to be carrying on a trade or business in~~
20 ~~this State under section 235-6 shall nevertheless be deemed to~~
21 ~~be a wholesaler and shall be subject to the tax imposed by this~~
22 ~~chapter."]~~



1 SECTION 22. Section 237-5, Hawaii Revised Statutes, is
2 repealed.

3 [~~"§237-5 "Producer" defined. "Producer" means any person~~
4 ~~engaged in the business of raising and producing agricultural~~
5 ~~products in their natural state, or in producing natural~~
6 ~~resource products, or engaged in the business of fishing or~~
7 ~~aquaculture, for sale, or for shipment or transportation out of~~
8 ~~the State, of the agricultural or aquaculture products in their~~
9 ~~natural or processed state, or butchered and dressed, or the~~
10 ~~natural resource products, or fish.~~

11 ~~As used in this section "agricultural products" include~~
12 ~~floricultural, horticultural, viticultural, forestry, nut,~~
13 ~~coffee, dairy, livestock, poultry, bee, animal, and any other~~
14 ~~farm, agronomic, or plantation products."]~~

15 SECTION 23. Section 237-13.3, Hawaii Revised Statutes, is
16 repealed.

17 [~~"§237-13.3 Application of sections 237-4(a)(8), 237-~~
18 ~~4(a)(10), 237-4(a)(13), 237-13(2)(A), 237-13(4)(A), and 237-~~
19 ~~13(6)(A). (a) Sections 237-4(a)(8), 237-4(a)(10), 237-~~
20 ~~4(a)(13), 237-13(2)(A), 237-13(4)(A), and 237-13(6)(A) to the~~
21 ~~contrary notwithstanding, instead of the tax levied under~~
22 ~~section 237-13(2)(A) on wholesale sales subject to section 237-~~



1 ~~4(a)(8)(B), under section 237-13(4)(A) on a wholesaler subject~~
2 ~~to section 237-4(a)(13), and under section 237-13(6)(A) on a~~
3 ~~wholesaler subject to section 237-4(a)(10) at one-half of one~~
4 ~~per cent, during the period January 1, 2000, to December 31,~~
5 ~~2005, the tax shall be as follows:~~

6 ~~(1) In calendar year 2000, 3.5 per cent;~~

7 ~~(2) In calendar year 2001, 3.0 per cent;~~

8 ~~(3) In calendar year 2002, 2.5 per cent;~~

9 ~~(4) In calendar year 2003, 2.0 per cent;~~

10 ~~(5) In calendar year 2004, 1.5 per cent;~~

11 ~~(6) In calendar year 2005, 1.0 per cent; and~~

12 ~~(7) In calendar year 2006 and thereafter, the tax shall be~~
13 ~~0.5 per cent.~~

14 ~~(b) The department shall have the authority to implement~~
15 ~~the tax rate changes in subsection (a) by prescribing tax forms~~
16 ~~and instructions that require tax reporting and payment by~~
17 ~~deduction, allocation, or any other method to determine tax~~
18 ~~liability with due regard to the tax rate changes."]~~

19 SECTION 24. Section 237-13.5, Hawaii Revised Statutes, is
20 repealed.

21 ["~~§237-13.5 Assessment on generated electricity. Any~~
22 ~~other provision of the law to the contrary notwithstanding, the~~



1 ~~levy and assessment of the general excise tax on the gross~~
2 ~~proceeds from the sale of electric power to a public utility~~
3 ~~company for resale to the public, shall be made only as a tax on~~
4 ~~the business of a producer, at the rate assessed producers,~~
5 ~~under section 237-13(2)(A)."]~~

6 SECTION 25. Section 237-15, Hawaii Revised Statutes, is
7 repealed.

8 [~~"§237-15 Technicians. When technicians supply dentists~~
9 ~~or physicians with dentures, orthodontic devices, braces, and~~
10 ~~similar items which have been prepared by the technician in~~
11 ~~accordance with specifications furnished by the dentist or~~
12 ~~physician, and such items are to be used by the dentist or~~
13 ~~physician in the dentist's or physician's professional practice~~
14 ~~for a particular patient who is to pay the dentist or physician~~
15 ~~for the same as a part of the dentist's or physician's~~
16 ~~professional services, the technician shall be taxed as though~~
17 ~~the technician were a manufacturer selling a product to a~~
18 ~~licensed retailer, rather than at the rate of four per cent~~
19 ~~which is generally applied to professions and services."]~~

20 SECTION 26. Section 237-29.55, Hawaii Revised Statutes, is
21 repealed.



1 ~~["§237-29.55] Exemption for sale of tangible personal~~
2 ~~property for resale at wholesale. (a) There shall be exempted~~
3 ~~from, and excluded from the measure of, the taxes imposed by~~
4 ~~this chapter all of the gross proceeds or gross income arising~~
5 ~~from the sale of tangible personal property imported to Hawaii~~
6 ~~from a foreign or domestic source to a licensed taxpayer for~~
7 ~~subsequent resale for the purpose of wholesale as defined under~~
8 ~~section 237-4.~~

9 ~~(b) The department, by rule, may provide that a seller may~~
10 ~~take from the purchaser of imported tangible personal property,~~
11 ~~a certificate, in a form that the department shall prescribe,~~
12 ~~certifying that the purchaser of the imported tangible personal~~
13 ~~property shall resell the imported tangible personal property at~~
14 ~~wholesale as defined under section 237-4. Any purchaser who~~
15 ~~furnishes a certificate shall be obligated to pay to the seller,~~
16 ~~upon demand, if the sale in fact is not a sale for the purpose~~
17 ~~of resale at wholesale, the amount of the additional tax which~~
18 ~~by reason thereof is imposed upon the seller. The absence of a~~
19 ~~certificate, unless the sales of the business are exclusively a~~
20 ~~sale for the purpose of resale at wholesale, in itself, shall~~
21 ~~give rise to the presumption that the sale is not a sale for the~~
22 ~~purpose of resale at wholesale."]~~



1 SECTION 27. Section 238-4, Hawaii Revised Statutes, is
2 repealed.

3 [~~"§238-4 Certain property used by producers. If a
4 licensed producer, or a cooperative association acting under the
5 authority of chapter 421 or 422, in order to sell to such
6 producer, or a licensed person, imports into the State or
7 acquires in the State commodities, materials, items, services,
8 or living things enumerated in section [237-4(a)(3) and (5) to
9 (7)], then section 237-4 shall apply. If section 237-4 applies
10 and the producer is engaged in the sale of the producer's
11 products at retail or in any manner other than at wholesale,
12 then the tax upon use of property in the State imposed by
13 section 238-2(2) shall apply the same as in the case of a
14 purchaser who is a licensed retailer. In other such cases no
15 tax shall be imposed under this chapter."~~]

16 SECTION 28. There is appropriated out of the general
17 revenues of the State of Hawaii the sum of \$, or so
18 much thereof as may be necessary for fiscal year 2006-2007, to
19 carry out the purposes of this Act, including the hiring of
20 necessary staff.

21 The sum appropriated shall be expended by the department of
22 taxation.



1 SECTION 29. There is appropriated out of the general
 2 revenues of the State of Hawaii the sum of \$, or so
 3 much thereof as may be necessary for fiscal year 2006-2007, for
 4 technical assistance and briefings to enable the legislature to
 5 carry out its responsibilities under this Act.

6 Technical assistance may include analysis of the fiscal and
 7 legal impacts of proposed conformance with the existing general
 8 excise tax law and other laws and any other issues that might
 9 result from the implementation of a streamlined and sales and
 10 use tax. Funds may also be expended for preparation of proposed
 11 legislation above and beyond that which could be undertaken by
 12 state employees due to the specialized nature of this project.
 13 Funds may be further expended in briefings of legislators and
 14 any other parties deemed appropriate by the designees of the
 15 president of the senate and the speaker of the house of
 16 representatives and in any other support activities for this
 17 project.

18 The sum appropriated shall be expended by the office of the
 19 auditor for the purposes of this Act. The office of the auditor
 20 shall secure the services necessary to support the project in as
 21 expeditious a manner as possible and without regard to chapter
 22 103D, Hawaii Revised Statutes.



1 SECTION 30. Notwithstanding the provisions of any law
2 making it unlawful for any person, officer, or employee of the
3 State to make known information imparted by any tax return or
4 permit any tax return to be seen or examined by any person, it
5 shall be lawful to permit a private contractor contracted under
6 section 29 of this Act to inspect any tax return of any
7 taxpayer, or to furnish to the private contractor an abstract of
8 the return or supply the private contractor with information
9 concerning any item contained in the return or disclosed by the
10 report of any investigation of the return or of the subject
11 matter of the return only for the purposes of conforming the
12 State's general excise and use taxes to be operative with the
13 Streamlined Sales Tax Project's Model Agreement and Act.

14 SECTION 31. In codifying the new chapters and sections
15 added to the Hawaii Revised Statutes by this Act, the revisor of
16 statutes shall substitute appropriate section numbers for the
17 letters used in designating the new chapters and sections in
18 this Act.

19 SECTION 32. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



1 SECTION 33. This Act shall take effect on ;
2 provided that sections 28 and 29 shall take effect on July 1,
3 2006.



Report Title:

Streamlined Sales Tax; Implementation

Description:

Adopts amendments to Hawaii's tax law that will allow Hawaii to participate in the Streamlined Sales and Use Tax Agreement.

(SD1)

