

# PROPOSED

THE SENATE  
TWENTY-FOURTH LEGISLATURE, 2007  
STATE OF HAWAII

S.C.R. NO. 62  
S.D. 1

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## SENATE CONCURRENT RESOLUTION

REQUESTING THE DEPARTMENT OF TAXATION TO CONDUCT A REVIEW OF  
HAWAII'S GENERAL EXCISE TAX PYRAMIDING RELIEF ACT.

1           WHEREAS, in Act 71, Session Laws of Hawaii 1999 (Act 71),  
2 the Legislature recognized that pyramiding of the general excise  
3 tax (GET) caused an undo burden on businesses, and so phased out  
4 the four per cent GET on business-to-business services; and

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6           WHEREAS, as of January 1, 2006, the tax was decreased to  
7 0.5 per cent; and

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9           WHEREAS, Act 71 does not extend to tax due on warranty  
10 reimbursements from the manufacturer of a product; and

11  
12           WHEREAS, as a result, Hawaii automobile dealers are  
13 required to pay a 4.712 per cent general excise tax on what  
14 customers consider a "free" repair under their new car's  
15 warranty coverage; and

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17           WHEREAS, when consumers in Hawaii pay for a new vehicle,  
18 the payment covers the warranty protection coverage, which  
19 manufacturers provide on new vehicles for a specified period or  
20 miles driven; and

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22           WHEREAS, the dealer, by law, pays the GET to the State, and  
23 passes the tax along to the consumer in the negotiated final  
24 price of the new car; and

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26           WHEREAS, the warranty is part of the product so that the  
27 customer has, in effect paid the GET on the car, which includes  
28 the service of warranty protection coverage; and

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30           WHEREAS, other states, recognizing that warranty payments  
31 to dealers to cover a manufacturer's warranty, include payments  
32 for parts and labor, and that these payments should either be



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1 excluded from requirements for tax, or taxed at the wholesale  
2 rate; and

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4 WHEREAS, clarification of Act 71 (known as the General  
5 Excise Tax Pyramiding Relief Act), is needed to provide the  
6 necessary language to achieve the same approach that all other  
7 states have taken to the matter; now, therefore,

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9 BE IT RESOLVED by the Senate of the Twenty-fourth  
10 Legislature of the State of Hawaii, Regular Session of 2007, the  
11 House of Representatives concurring, that the Department of  
12 Taxation (Department) is requested to conduct a review Hawaii's  
13 General Excise Tax Pyramiding Relief Act; and

14  
15 BE IT FURTHER RESOLVED in its review, the Department shall  
16 consider clarifying language to make clear that the GET is not  
17 due on business-to-business services that fulfill a warranty  
18 obligation to the manufacturer; and

19  
20 BE IT FURTHER RESOLVED that the Department shall also  
21 include information from other states, such as California and  
22 Washington, which have clarified their laws so as to eliminate  
23 payment of similar taxes on warranty reimbursements or reduce  
24 them to wholesale rates; and

25  
26 BE IT FURTHER RESOLVED that the Department shall report to  
27 the Legislature no later than twenty days prior to the Regular  
28 Session of 2008 on the results of its review, any  
29 recommendations for legislation, and the fiscal impact of any  
30 legislation; and

31  
32 BE IT FURTHER RESOLVED that a certified copy of this  
33 Concurrent Resolution be transmitted to the Director of  
34 Taxation.