

JAN 18 2008

A BILL FOR AN ACT

RELATING TO TAXATION.

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

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

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

9 As used in this subsection:

10 "Real property" means property consisting of land,
11 buildings, crops, or other resources still attached to or within
12 the land or improvements or fixtures permanently attached to the
13 land or a structure on it.

14 "Related entities" means:

15 (1) An affiliated group of corporations within the meaning
16 of section 1504 (with respect to affiliated group
17 defined) of the federal Internal Revenue Code of 1986,



- 1 as amended;
- 2 (2) A controlled group of corporations within the meaning
3 of section 1563 (with respect to definitions and
4 special rules) of the federal Internal Revenue Code of
5 1986, as amended;
- 6 (3) Those entities connected through ownership of at least
7 eighty per cent of the total value and at least eighty
8 per cent of the total voting power of each such entity
9 (or combination thereof), including partnerships,
10 associations, trusts, S corporations, nonprofit
11 corporations, limited liability partnerships, or
12 limited liability companies; and
- 13 (4) Any group or combination of the entities described in
14 paragraph (3) constituting a unitary business for
15 income tax purposes;

16 whether or not the entity is located within or without the State
17 or licensed under this chapter.

18 "Related individual" means an individual taxpayer who are
19 closely related, including spouses, and entities and trusts
20 controlled by those individuals.

21 "Services" means legal and accounting services, the use of
22 computer software and hardware, information technology services,



1 database management, and those managerial and administrative
2 services performed by an employee, officer, partner, trustee,
3 sole proprietor, member, or manager in the person's capacity as
4 an employee, officer, partner, trustee, sole proprietor, member,
5 or manager of one of the related entities and shall include
6 overhead costs attributable to those services."

7 SECTION 2. New statutory material is underscored.

8 SECTION 3. This Act shall take effect on July 1, 2008, and
9 shall apply to gross proceeds or gross income received after
10 June 30, 2008.

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INTRODUCED BY: S.B. 2442 (BR)



Report Title:

Excise Tax; Related Entities; Rentals

Description:

Exempts real property rental transactions between related entities from the general excise tax.

