

JAN 20 2010

A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAXES.

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

1 SECTION 1. The legislature finds that a sustainable source
2 of funding is critically required to support Hawaii's at-risk
3 families, meet the education requirements of Hawaii's children,
4 and provide basic needs to Hawaii's growing elderly population.

5 Hawaii's healthy start program offers critical support to
6 at-risk families to reduce the likelihood of child maltreatment.

7 The program provides parents with knowledge of child
8 development, child health, and parenting skills, and links at-
9 risk families with needed community resources such as health and
10 mental health services, early childhood education, childcare,
11 family literacy, employment, social services, developmental
12 screening and appropriate child development education and
13 interventions, and service coordination and advocacy for
14 families. Positive outcomes for Hawaii's at-risk families and
15 children depend on adequate funding for healthy start.

16 No one can deny that education--from preschool to college--
17 is a prerequisite to opportunity and a necessity in competing in
18 this global economy. All of Hawaii's communities deserve and



1 need excellent public schools to ensure a stronger work force,
2 more stable employment, less poverty, improved public health,
3 lower crime rates, and positive community participation.

4 Indeed, a key to Hawaii's future success is a community filled
5 with highly-educated, highly-qualified individuals to support
6 the State's economy.

7 A typical toddler's brain development for sensory pathways,
8 language, and higher cognitive function reaches its peak within
9 the initial three years of life. Studies have shown that
10 toddlers of parents in the lower socio-economic and education
11 levels will begin to experience barriers in their language
12 development as early as sixteen months old and those same
13 toddlers will also begin to trail the language development of
14 toddlers of college-educated parents in that same time frame.
15 Other studies have shown that early childhood education
16 programs, such as preschool programs, have benefited children by
17 reducing the likelihood that they will develop social disorders,
18 learning disabilities, teenage pregnancy, and welfare dependency
19 later in life.

20 The early education task force recently unveiled "Keiki
21 First," a plan to enable eighty per cent of Hawaii's four-year-
22 olds to attend preschool so they will enter kindergarten ready



1 to learn. This plan requires an infusion of new resources; when
2 fully implemented, for the eighty per cent goal, \$170,000,000
3 per year would be needed. Steps need to be taken to ensure the
4 funding necessary to get this program underway.

5 In recent years, the legislature passed significant
6 initiatives to strengthen the public school system. The
7 Reinventing Education Act of 2004 directed funds to schools
8 based on the needs of their populations, taking into account
9 economic hardship, English as a second language, special needs,
10 and mobility. Additionally, the legislature provided a
11 governance structure to charter schools to allow decision makers
12 to be closer to their constituency and placed an emphasis on
13 learning academies and experiential or applied learning
14 programs.

15 Obtaining adequate funding for these public school
16 improvements has been a growing challenge. Increased mandates of
17 the No Child Left Behind Act and the Felix consent decree, among
18 others, have contributed to funding inadequacies and over the
19 years, the percentage of the state budget allocated to education
20 has consistently decreased. In the current economic recession,
21 additional cuts have been made to the public school budget and



1 teachers have had to incur a pay reduction and a furlough that
2 has shortened the school year.

3 The State's public education system is also in dire need of
4 funding to address the backlog of infrastructure and facilities
5 repair and maintenance projects in schools throughout the State.

6 A similar backlog of necessary repairs and maintenance
7 exists at the University of Hawaii. Facilities provide the
8 centerpiece around which all other educational activities exist
9 at higher education institutions. Infrastructure and facilities
10 at our higher education campuses that are well-maintained,
11 functional, architecturally sound, and building and safety code
12 compliant support quality instruction, research, and student and
13 community services programs. It is imperative to reinvest in
14 the university's physical plant to ensure a physical
15 infrastructure that supports the mission of the institution.

16 The aged population in America is growing at an
17 unprecedented rate and the implications of this demographical
18 reality are many. The Centers for Disease Control and
19 Prevention reported in 2007 that an enhanced focus on promoting
20 and preserving the health of older adults is essential if we are
21 to effectively address the health and economic challenges of an
22 aging society. The cost of providing health care for an older



1 American is three to five times greater than the cost for
2 someone younger than sixty-five. By 2030, the nation's health
3 care spending is projected to increase by twenty-five per cent
4 due to demographic shifts unless improving and preserving the
5 health of older adults is more actively addressed.

6 Hawaii's elderly population is growing at a rate faster
7 than the national average. By 2020, more than one in four
8 individuals in Hawaii is expected to be an older adult.

9 Already, funding levels have become insufficient to adequately
10 serve the most basic needs of Hawaii's elderly population.
11 There is real value for everyone in meeting the needs of our
12 aging society and it is clearly time to ensure that funding is
13 available for this purpose.

14 In a poll conducted by the Honolulu Advertiser in 2003,
15 seventy-seven per cent of those polled indicated that they would
16 pay more in taxes to improve the quality of public education.
17 The poll also indicated that seventy-six per cent would pay more
18 taxes to make repairs to public schools. A 2004 poll, conducted
19 for Good Beginnings Alliance, indicated that sixty per cent of
20 individuals polled favored a tax increase to support universal
21 preschool.



1 The legislature believes that Hawaii residents have and
2 will continue to demonstrate a willingness to support an
3 increase in taxes to support important social objectives, such
4 as providing a quality public education system, protecting at-
5 risk children and giving them vital resources, and providing our
6 senior and elderly population with a high quality of life.

7 The purpose of this Act is to increase the general excise
8 tax, with increased revenues being allocated to programs that
9 support education, at-risk children, and the elderly.

10 SECTION 2. Section 237-13, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§237-13 Imposition of tax.** There is hereby levied and
13 shall be assessed and collected annually privilege taxes against
14 persons on account of their business and other activities in the
15 State measured by the application of rates against values of
16 products, gross proceeds of sales, or gross income, whichever is
17 specified, as follows:

18 (1) Tax on manufacturers.

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



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

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

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



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

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



1 transit, shall be the measure of the value
2 of the products;

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



1 prescribe uniform and equitable rules for
2 ascertaining the values;

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

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

15 (2) Tax on business of selling tangible personal property;
16 producing.

17 (A) Upon every person engaging or continuing in the
18 business of selling any tangible personal
19 property whatsoever (not including, however,
20 bonds or other evidence of indebtedness, or
21 stocks), there is likewise hereby levied, and
22 shall be assessed and collected, a tax equivalent

1 to [~~four~~] four and eight-tenths per cent of the
2 gross proceeds of sales of the business; provided
3 that insofar as the sale of tangible personal
4 property is a wholesale sale under section [237-
5 4(a)(8)], the sale shall be subject to section
6 237-13.3. Upon every person engaging or
7 continuing within this State in the business of a
8 producer, the tax shall be equal to one-half of
9 one per cent of the gross proceeds of sales of
10 the business, or the value of the products, for
11 sale, if sold for delivery outside the State or
12 shipped or transported out of the State, and the
13 value of the products shall be determined in the
14 same manner as the value of manufactured products
15 covered in the cases under paragraph (1)(C).

16 (B) Gross proceeds of sales of tangible property in
17 interstate and foreign commerce shall constitute
18 a part of the measure of the tax imposed on
19 persons in the business of selling tangible
20 personal property, to the extent, under the
21 conditions, and in accordance with the provisions
22 of the Constitution of the United States and the



1 Acts of the Congress of the United States which
2 may be now in force or may be hereafter adopted,
3 and whenever there occurs in the State an
4 activity to which, under the Constitution and
5 Acts of Congress, there may be attributed gross
6 proceeds of sales, the gross proceeds shall be so
7 attributed.

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

20 (D) When a manufacturer or producer, engaged in such
21 business in the State, also is engaged in selling
22 the manufacturer's or producer's products in the



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



1 agricultural products who sells the products to a
2 purchaser who will process the products outside
3 the State shall be required to pay the tax
4 imposed in this chapter for the privilege of
5 producing or selling those products.

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

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

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



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

5 (3) Tax upon contractors.

6 (A) Upon every person engaging or continuing within
7 the State in the business of contracting, the tax
8 shall be equal to [~~four~~] four and eight-tenths
9 per cent of the gross income of the business.

10 (B) In computing the tax levied under this paragraph,
11 there shall be deducted from the gross income of
12 the taxpayer so much thereof as has been included
13 in the measure of the tax levied under
14 subparagraph (A), on:

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

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

21 (iii) A specialty contractor who is not licensed
22 by the department of commerce and consumer



1 affairs pursuant to section 444-9, but who
2 performs contracting activities on federal
3 military installations and nowhere else in
4 this State;

5 provided that any person claiming a deduction
6 under this paragraph shall be required to show in
7 the person's return the name and general excise
8 number of the person paying the tax on the amount
9 deducted by the person.

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

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



1 (ii) The taxpayer making the sale shall have
2 certified to the department that the
3 taxpayer is taxable with respect to the
4 gross proceeds of the sale, and that the
5 taxpayer elects to have the tax on gross
6 income computed the same as upon a sale to
7 the state government.

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



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



1 this paragraph shall not apply in respect of any
2 proceeds that constitute or are in the nature of
3 rent; all such gross income shall be taxable
4 under paragraph (9); provided that insofar as the
5 business of renting or leasing real property
6 under a lease is taxed under section 237-16.5,
7 the tax shall be levied by section 237-16.5.

8 (4) Tax upon theaters, amusements, radio broadcasting
9 stations, etc.

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

21 (B) The department may require that the person
22 rendering an amusement at wholesale take from the



1 licensed seller a certificate, in a form
2 prescribed by the department, certifying that the
3 sale is a sale at wholesale; provided that:

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

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

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



1 attributable to the services so rendered by the
2 person.

3 (6) 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, there is
8 likewise hereby levied and shall be assessed and
9 collected a tax equal to [~~four~~] four and eight-
10 tenths 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 is engaged in the business of
13 selling interstate or foreign common carrier
14 telecommunication services within and without the
15 State, other than as a home service provider, the
16 tax shall be imposed on that portion of gross
17 income received by a person from service which is
18 originated or terminated in this State and is
19 charged to a telephone number, customer, or
20 account in this State notwithstanding any other
21 state law (except for the exemption under section
22 237-23(a)(1)) to the contrary. If, under the



1 Constitution and laws of the United States, the
2 entire gross income as determined under this
3 paragraph of a business selling interstate or
4 foreign common carrier telecommunication services
5 cannot be included in the measure of the tax, the
6 gross income shall be apportioned as provided in
7 section 237-21; provided that the apportionment
8 factor and formula shall be the same for all
9 persons providing those services in the State.

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



1 where the mobile telecommunications originate,
2 terminate, or pass through; provided further that
3 the income from charges specifically derived from
4 interstate or foreign mobile telecommunications
5 services, as determined by books and records that
6 are kept in the regular course of business by the
7 home service provider in accordance with section
8 239-24, shall be apportioned under any
9 apportionment factor or formula adopted under
10 subparagraph (C). Gross income shall not
11 include:

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

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

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



1 (iv) Gross receipts of a home service provider
2 acting as a serving carrier providing mobile
3 telecommunications services to another home
4 service provider's customer.

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

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

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



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

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



1 chapter, as to any gross income thereof not taxed
2 thereunder as gross income or gross proceeds of sales
3 or by taxing an equivalent value of products, unless
4 specifically exempted."

5 SECTION 3. Section 237-15, Hawaii Revised Statutes, is
6 amended to read as follows:

7 **"§237-15 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 such 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 at the rate of [~~four~~] four and
18 eight-tenths per cent which is generally applied to professions
19 and services."

20 SECTION 4. Section 237-16.5, Hawaii Revised Statutes, is
21 amended by amending subsection (a) to read as follows:



1 "(a) This section relates to the leasing of real property
2 by a lessor to a lessee. There is hereby levied, and shall be
3 assessed and collected annually, a privilege tax against persons
4 engaging or continuing within the State in the business of
5 leasing real property to another, equal to [~~four~~] four and
6 eight-tenths per cent of the gross proceeds or gross income
7 received or derived from the leasing; provided that where real
8 property is subleased by a lessee to a sublessee, the lessee, as
9 provided in this section, shall be allowed a deduction from the
10 amount of gross proceeds or gross income received from its
11 sublease of the real property. The deduction shall be in the
12 amount allowed under this section.

13 All deductions under this section and the name and general
14 excise tax number of the lessee's lessor shall be reported on
15 the general excise tax return. Any deduction allowed under this
16 section shall only be allowed with respect to leases and
17 subleases in writing and relating to the same real property."

18 SECTION 5. Section 237-18, Hawaii Revised Statutes, is
19 amended by amending subsection (f) to read as follows:

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



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

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

13 SECTION 6. Section 237-31, Hawaii Revised Statutes, is
14 amended to read as follows:

15 **"§237-31 Remittances.** (a) All remittances of taxes
16 imposed by this chapter shall be made by money, bank draft,
17 check, cashier's check, money order, or certificate of deposit
18 to the office of the department of taxation to which the return
19 was transmitted.

20 (b) The department shall issue its receipts therefor to
21 the taxpayer and shall pay the moneys into the state treasury as



1 a state realization, to be kept and accounted for as provided by
2 law; provided that:

3 (1) The sum from all general excise tax revenues realized
4 by the State that represents the difference between
5 \$45,000,000 and the proceeds from the sale of any
6 general obligation bonds authorized for that fiscal
7 year for the purposes of the state educational
8 facilities improvement special fund shall be deposited
9 in the state treasury in each fiscal year to the
10 credit of the state educational facilities improvement
11 special fund; and

12 (2) A sum, not to exceed \$5,000,000, from all general
13 excise tax revenues realized by the State shall be
14 deposited in the state treasury in each fiscal year to
15 the credit of the compound interest bond reserve fund.

16 (c) Notwithstanding subsection (b), beginning on July 1,
17 2010, the additional revenues generated and collected from the
18 increase in general excise tax rates imposed by sections 2, 3,
19 4, and 5 of Act _____, Session Laws of Hawaii 2010, shall be
20 distributed as follows:

21 (1) .025 per cent of the revenues shall be deposited into
22 a special account in the general fund for



1 appropriation to and expenditure for the healthy start
2 program administered by the department of human
3 services under chapter 346;

4 (2) .1 per cent of the revenues shall be deposited into a
5 special account in the general fund for appropriation
6 to and expenditure for the early learning system
7 administered by the department of education under
8 chapter 302L;

9 (3) .5 per cent of the revenues shall be deposited into a
10 special account in the general fund for appropriation
11 to and expenditure for public education programs
12 administered by the department of education under
13 chapter 302A;

14 (4) .1 per cent of the revenues shall be deposited into a
15 special account in the general fund for appropriation
16 to and expenditure for the University of Hawaii system
17 to support higher education programs administered by
18 the department of education under chapter 304A; and

19 (5) .075 per cent of the revenues shall be deposited into
20 a special account in the general fund for
21 appropriation to and expenditure for programs that
22 support seniors and the elderly and are administered



1 by the department of health under chapter 321, the
2 department of human services under chapter 346, and
3 the executive office on aging under chapter 349;
4 provided that commencing with the 2010-2011 fiscal year, the
5 program funding levels established by the legislature for the
6 2007-2008 fiscal year to support the programs in paragraphs (1)
7 through (5) shall be the minimum funding levels for these
8 programs and shall not be reduced, diminished, or replaced by
9 the additional revenues generated and collected from the
10 increase in general excise tax rates imposed by Act , Session
11 Laws of Hawaii 2010."

12 SECTION 7. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 8. This Act shall take effect on July 1, 2010.

15

INTRODUCED BY:

Shoanne Chun Oakland

Michelle N. Sudani



Report Title:

General Excise Tax; Increase; Keiki Caucus

Description:

Increases the general excise tax rate by .8 per cent to provide a dedicated funding source for various programs that benefit children, the elderly, and education.

