
A BILL FOR AN ACT

RELATING TO TAX.

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

1 SECTION 1. Section 235-51, Hawaii Revised Statutes, is
2 amended by amending subsections (a), (b), and (c) to read as
3 follows:

4 "(a) There is hereby imposed on the taxable income of (1)
5 every taxpayer who files a joint return under section 235-93;
6 and (2) every surviving spouse a tax determined in accordance
7 with the following table:

8 In the case of any taxable year beginning after
9 December 31, 2001:

| 10 | If the taxable income is: | The tax shall be: |
|----|---------------------------|-------------------------|
| 11 | Not over \$4,000 | 1.40% of taxable income |
| 12 | Over \$4,000 but | \$56.00 plus 3.20% of |
| 13 | not over \$8,000 | excess over \$4,000 |
| 14 | Over \$8,000 but | \$184.00 plus 5.50% of |
| 15 | not over \$16,000 | excess over \$8,000 |
| 16 | Over \$16,000 but | \$624.00 plus 6.40% of |
| 17 | not over \$24,000 | excess over \$16,000 |

18



| | | |
|----|-------------------|--------------------------|
| 1 | Over \$24,000 but | \$1,136.00 plus 6.80% of |
| 2 | not over \$32,000 | excess over \$24,000 |
| 3 | Over \$32,000 but | \$1,680.00 plus 7.20% of |
| 4 | not over \$40,000 | excess over \$32,000 |
| 5 | Over \$40,000 but | \$2,256.00 plus 7.60% of |
| 6 | not over \$60,000 | excess over \$40,000 |
| 7 | Over \$60,000 but | \$3,776.00 plus 7.90% of |
| 8 | not over \$80,000 | excess over \$60,000 |
| 9 | Over \$80,000 | \$5,356.00 plus 8.25% of |
| 10 | | excess over \$80,000. |

11 In the case of any taxable year beginning after
 12 December 31, 2006:

| | | |
|----|---------------------------|--------------------------|
| 13 | If the taxable income is: | The tax shall be: |
| 14 | Not over \$4,800 | 1.40% of taxable income |
| 15 | Over \$4,800 but | \$67.00 plus 3.20% of |
| 16 | not over \$9,600 | excess over \$4,800 |
| 17 | Over \$9,600 but | \$221.00 plus 5.50% of |
| 18 | not over \$19,200 | excess over \$9,600 |
| 19 | Over \$19,200 but | \$749.00 plus 6.40% of |
| 20 | not over \$28,800 | excess over \$19,200 |
| 21 | Over \$28,800 but | \$1,363.00 plus 6.80% of |
| 22 | not over \$38,400 | excess over \$28,800 |



| | | |
|---|-------------------|--------------------------|
| 1 | Over \$38,400 but | \$2,016.00 plus 7.20% of |
| 2 | not over \$48,000 | excess over \$38,400 |
| 3 | Over \$48,000 but | \$2,707.00 plus 7.60% of |
| 4 | not over \$72,000 | excess over \$48,000 |
| 5 | Over \$72,000 but | \$4,531.00 plus 7.90% of |
| 6 | not over \$96,000 | excess over \$72,000 |
| 7 | Over \$96,000 | \$6,427.00 plus 8.25% of |
| 8 | | excess over \$96,000. |

9 In the case of any taxable year beginning after December
10 31, 2008:

| | | |
|----|---------------------------|--------------------------|
| 11 | If the taxable income is: | The tax shall be: |
| 12 | Not over \$4,800 | 1.40% of taxable income |
| 13 | Over \$4,800 but | \$67.00 plus 3.20% of |
| 14 | not over \$9,600 | excess over \$4,800 |
| 15 | Over \$9,600 but | \$221.00 plus 5.50% of |
| 16 | not over \$19,200 | excess over \$9,600 |
| 17 | Over \$19,200 but | \$749.00 plus 6.40% of |
| 18 | not over \$28,800 | excess over \$19,200 |
| 19 | Over \$28,800 but | \$1,363.00 plus 6.80% of |
| 20 | not over \$38,400 | excess over \$28,800 |
| 21 | Over \$38,400 but | \$2,016.00 plus 7.20% of |
| 22 | not over \$48,000 | excess over \$38,400 |



| | | |
|----|--------------------|----------------------------|
| 1 | Over \$48,000 but | \$2,707.00 plus 7.60% of |
| 2 | not over \$72,000 | excess over \$48,000 |
| 3 | Over \$72,000 but | \$4,531.00 plus 7.90% of |
| 4 | not over \$96,000 | excess over \$72,000 |
| 5 | Over \$96,000 but | \$6,427.00 plus 8.25% of |
| 6 | not over \$300,000 | excess over \$96,000 |
| 7 | Over \$300,000 but | \$23,257.00 plus 9.00% of |
| 8 | not over \$350,000 | excess over \$300,000 |
| 9 | Over \$350,000 but | \$27,757.00 plus 10.00% of |
| 10 | not over \$400,000 | excess over \$350,000 |
| 11 | Over \$400,000 | \$32,757.00 plus 11.00% of |
| 12 | | excess over \$400,000. |

13 In the case of any taxable year beginning after

14 December 31, 2011:

| | | |
|----|----------------------------------|--------------------------------|
| 15 | <u>If the taxable income is:</u> | <u>The tax shall be:</u> |
| 16 | <u>Not over \$4,800</u> | <u>1.40% of taxable income</u> |
| 17 | <u>Over \$4,800 but</u> | <u>\$67.00 plus 3.20% of</u> |
| 18 | <u>not over \$9,600</u> | <u>excess over \$4,800</u> |
| 19 | <u>Over \$9,600 but</u> | <u>\$221.00 plus 5.50% of</u> |
| 20 | <u>not over \$19,200</u> | <u>excess over \$9,600</u> |
| 21 | <u>Over \$19,200 but</u> | <u>\$749.00 plus 6.40% of</u> |
| 22 | <u>not over \$28,800</u> | <u>excess over \$19,200</u> |



| | | |
|----|--------------------------|---------------------------------|
| 1 | <u>Over \$28,800 but</u> | <u>\$1,363.00 plus 6.80% of</u> |
| 2 | <u>not over \$38,400</u> | <u>excess over \$28,800</u> |
| 3 | <u>Over \$38,400 but</u> | <u>\$2,016.00 plus 7.20% of</u> |
| 4 | <u>not over \$48,000</u> | <u>excess over \$38,400</u> |
| 5 | <u>Over \$48,000 but</u> | <u>\$2,707.00 plus 7.60% of</u> |
| 6 | <u>not over \$72,000</u> | <u>excess over \$48,000</u> |
| 7 | <u>Over \$72,000 but</u> | <u>\$4,531.00 plus 7.90% of</u> |
| 8 | <u>not over \$96,000</u> | <u>excess over \$72,000</u> |
| 9 | <u>Over \$96,000</u> | <u>\$6,427.00 plus 8% of</u> |
| 10 | | <u>excess over \$96,000.</u> |

11 (b) There is hereby imposed on the taxable income of every
 12 head of a household a tax determined in accordance with the
 13 following table:

14 In the case of any taxable year beginning after
 15 December 31, 2001:

| 16 | If the taxable income is: | The tax shall be: |
|----|---------------------------|-------------------------|
| 17 | Not over \$3,000 | 1.40% of taxable income |
| 18 | Over \$3,000 but | \$42.00 plus 3.20% of |
| 19 | not over \$6,000 | excess over \$3,000 |
| 20 | Over \$6,000 but | \$138.00 plus 5.50% of |
| 21 | not over \$12,000 | excess over \$6,000 |

22



| | | |
|----|-----------------------|--------------------------|
| 1 | Over \$12,000 but | \$468.00 plus 6.40% of |
| 2 | not over \$18,000 | excess over \$12,000 |
| 3 | Over \$18,000 | \$852.00 plus 6.80% of |
| 4 | but not over \$24,000 | excess over \$18,000 |
| 5 | Over \$24,000 but | \$1,260.00 plus 7.20% of |
| 6 | not over \$30,000 | excess over \$24,000 |
| 7 | Over \$30,000 but | \$1,692.00 plus 7.60% of |
| 8 | not over \$45,000 | excess over \$30,000 |
| 9 | Over \$45,000 but | \$2,832.00 plus 7.90% of |
| 10 | not over \$60,000 | excess over \$45,000 |
| 11 | Over \$60,000 | \$4,017.00 plus 8.25% of |
| 12 | | excess over \$60,000. |

13 In the case of any taxable year beginning after

14 December 31, 2006:

| | | |
|----|---------------------------|-------------------------|
| 15 | If the taxable income is: | The tax shall be: |
| 16 | Not over \$3,600 | 1.40% of taxable income |
| 17 | Over \$3,600 but | \$50.00 plus 3.20% of |
| 18 | not over \$7,200 | excess over \$3,600 |
| 19 | Over \$7,200 but | \$166.00 plus 5.50% of |
| 20 | not over \$14,400 | excess over \$7,200 |
| 21 | Over \$14,400 but | \$562.00 plus 6.40% of |
| 22 | not over \$21,600 | excess over \$14,400 |



| | | |
|----|-------------------|--------------------------|
| 1 | Over \$21,600 but | \$1,022.00 plus 6.80% of |
| 2 | not over \$28,800 | excess over \$21,600 |
| 3 | Over \$28,800 but | \$1,512.00 plus 7.20% of |
| 4 | not over \$36,000 | excess over \$28,800 |
| 5 | Over \$36,000 but | \$2,030.00 plus 7.60% of |
| 6 | not over \$54,000 | excess over \$36,000 |
| 7 | Over \$54,000 but | \$3,398.00 plus 7.90% of |
| 8 | not over \$72,000 | excess over \$54,000 |
| 9 | Over \$72,000 | \$4,820.00 plus 8.25% of |
| 10 | | excess over \$72,000. |

11 In the case of any taxable year beginning after
 12 December 31, 2008:

| | | |
|----|---------------------------|--------------------------|
| 13 | If the taxable income is: | The tax shall be: |
| 14 | Not over \$3,600 | 1.40% of taxable income |
| 15 | Over \$3,600 but | \$50.00 plus 3.20% of |
| 16 | not over \$7,200 | excess over \$3,600 |
| 17 | Over \$7,200 but | \$166.00 plus 5.50% of |
| 18 | not over \$14,400 | excess over \$7,200 |
| 19 | Over \$14,400 but | \$562.00 plus 6.40% of |
| 20 | not over \$21,600 | excess over \$14,400 |
| 21 | Over \$21,600 but | \$1,022.00 plus 6.80% of |
| 22 | not over \$28,800 | excess over \$21,600 |



| | | |
|----|--------------------|----------------------------|
| 1 | Over \$28,800 but | \$1,512.00 plus 7.20% of |
| 2 | not over \$36,000 | excess over \$28,800 |
| 3 | Over \$36,000 but | \$2,030.00 plus 7.60% of |
| 4 | not over \$54,000 | excess over \$36,000 |
| 5 | Over \$54,000 but | \$3,398.00 plus 7.90% of |
| 6 | not over \$72,000 | excess over \$54,000 |
| 7 | Over \$72,000 but | \$4,820.00 plus 8.25% of |
| 8 | not over \$225,000 | excess over \$72,000 |
| 9 | Over \$225,000 but | \$17,443.00 plus 9.00% of |
| 10 | not over \$262,500 | excess over \$225,000 |
| 11 | Over \$262,500 but | \$20,818.00 plus 10.00% of |
| 12 | not over \$300,000 | excess over \$262,500 |
| 13 | Over \$300,000 | \$24,568.00 plus 11.00% of |
| 14 | | excess over \$300,000. |

15 In the case of any taxable year beginning after

16 December 31, 2011:

| | | |
|----|----------------------------------|--------------------------------|
| 17 | <u>If the taxable income is:</u> | <u>The tax shall be:</u> |
| 18 | <u>Not over \$3,600</u> | <u>1.40% of taxable income</u> |
| 19 | <u>Over \$3,600 but</u> | <u>\$50.00 plus 3.20% of</u> |
| 20 | <u>not over \$7,200</u> | <u>excess over \$3,600</u> |
| 21 | <u>Over \$7,200 but</u> | <u>\$166.00 plus 5.50% of</u> |
| 22 | <u>not over \$14,400</u> | <u>excess over \$7,200</u> |



| | | |
|----|--------------------------|---------------------------------|
| 1 | <u>Over \$14,400 but</u> | <u>\$562.00 plus 6.40% of</u> |
| 2 | <u>not over \$21,600</u> | <u>excess over \$14,400</u> |
| 3 | <u>Over \$21,600 but</u> | <u>\$1,022.00 plus 6.80% of</u> |
| 4 | <u>not over \$28,800</u> | <u>excess over \$21,600</u> |
| 5 | <u>Over \$28,800 but</u> | <u>\$1,512.00 plus 7.20% of</u> |
| 6 | <u>not over \$36,000</u> | <u>excess over \$28,800</u> |
| 7 | <u>Over \$36,000 but</u> | <u>\$2,030.00 plus 7.60% of</u> |
| 8 | <u>not over \$54,000</u> | <u>excess over \$36,000</u> |
| 9 | <u>Over \$54,000 but</u> | <u>\$3,398.00 plus 7.90% of</u> |
| 10 | <u>not over \$72,000</u> | <u>excess over \$54,000</u> |
| 11 | <u>Over \$72,000</u> | <u>\$4,820.00 plus 8% of</u> |
| 12 | | <u>excess over \$72,000.</u> |

13 (c) There is hereby imposed on the taxable income of (1)
 14 every unmarried individual (other than a surviving spouse, or
 15 the head of a household) and (2) on the taxable income of every
 16 married individual who does not make a single return jointly
 17 with the individual's spouse under section 235-93 a tax
 18 determined in accordance with the following table:

19 In the case of any taxable year beginning after
 20 December 31, 2001:

21



| | | |
|----|---------------------------|--------------------------|
| 1 | If the taxable income is: | The tax shall be: |
| 2 | Not over \$2,000 | 1.40% of taxable income |
| 3 | Over \$2,000 but | \$28.00 plus 3.20% of |
| 4 | not over \$4,000 | excess over \$2,000 |
| 5 | Over \$4,000 but | \$92.00 plus 5.50% of |
| 6 | not over \$8,000 | excess over \$4,000 |
| 7 | Over \$8,000 but | \$312.00 plus 6.40% of |
| 8 | not over \$12,000 | excess over \$8,000 |
| 9 | Over \$12,000 but | \$568.00 plus 6.80% of |
| 10 | not over \$16,000 | excess over \$12,000 |
| 11 | Over \$16,000 but | \$840.00 plus 7.20% of |
| 12 | not over \$20,000 | excess over \$16,000 |
| 13 | Over \$20,000 but | \$1,128.00 plus 7.60% of |
| 14 | not over \$30,000 | excess over \$20,000 |
| 15 | Over \$30,000 but | \$1,888.00 plus 7.90% of |
| 16 | not over \$40,000 | excess over \$30,000 |
| 17 | Over \$40,000 | \$2,678.00 plus 8.25% of |
| 18 | | excess over \$40,000. |

19 In the case of any taxable year beginning after
 20 December 31, 2006:

| | | |
|----|---------------------------|-------------------------|
| 21 | If the taxable income is: | The tax shall be: |
| 22 | Not over \$2,400 | 1.40% of taxable income |



| | | |
|----|-------------------|--------------------------|
| 1 | Over \$2,400 but | \$34.00 plus 3.20% of |
| 2 | not over \$4,800 | excess over \$2,400 |
| 3 | Over \$4,800 but | \$110.00 plus 5.50% of |
| 4 | not over \$9,600 | excess over \$4,800 |
| 5 | Over \$9,600 but | \$374.00 plus 6.40% of |
| 6 | not over \$14,400 | excess over \$9,600 |
| 7 | Over \$14,400 but | \$682.00 plus 6.80% of |
| 8 | not over \$19,200 | excess over \$14,400 |
| 9 | Over \$19,200 but | \$1,008.00 plus 7.20% of |
| 10 | not over \$24,000 | excess over \$19,200 |
| 11 | Over \$24,000 but | \$1,354.00 plus 7.60% of |
| 12 | not over \$36,000 | excess over \$24,000 |
| 13 | Over \$36,000 but | \$2,266.00 plus 7.90% of |
| 14 | not over \$48,000 | excess over \$36,000 |
| 15 | Over \$48,000 | \$3,214.00 plus 8.25% of |
| 16 | | excess over \$48,000. |

17 In the case of any taxable year beginning after

18 December 31, 2008:

| | | |
|----|---------------------------|-------------------------|
| 19 | If the taxable income is: | The tax shall be: |
| 20 | Not over \$2,400 | 1.40% of taxable income |
| 21 | Over \$2,400 but | \$34.00 plus 3.20% of |
| 22 | not over \$4,800 | excess over \$2,400 |



| | | |
|----|--------------------|----------------------------|
| 1 | Over \$4,800 but | \$110.00 plus 5.50% of |
| 2 | not over \$9,600 | excess over \$4,800 |
| 3 | Over \$9,600 but | \$374.00 plus 6.40% of |
| 4 | not over \$14,400 | excess over \$9,600 |
| 5 | Over \$14,400 but | \$682.00 plus 6.80% of |
| 6 | not over \$19,200 | excess over \$14,400 |
| 7 | Over \$19,200 but | \$1,008.00 plus 7.20% of |
| 8 | not over \$24,000 | excess over \$19,200 |
| 9 | Over \$24,000 but | \$1,354.00 plus 7.60% of |
| 10 | not over \$36,000 | excess over \$24,000 |
| 11 | Over \$36,000 but | \$2,266.00 plus 7.90% of |
| 12 | not over \$48,000 | excess over \$36,000 |
| 13 | Over \$48,000 but | \$3,214.00 plus 8.25% of |
| 14 | not over \$150,000 | excess over \$48,000 |
| 15 | Over \$150,000 but | \$11,629.00 plus 9.00% of |
| 16 | not over \$175,000 | excess over \$150,000 |
| 17 | Over \$175,000 but | \$13,879.00 plus 10.00% of |
| 18 | not over \$200,000 | excess over \$175,000 |
| 19 | Over \$200,000 | \$16,379.00 plus 11.00% of |
| 20 | | excess over \$200,000. |

21 In the case of any taxable year beginning after

22 December 31, 2011:

HB HMS 2011-1621



| <u>If the taxable income is:</u> | <u>The tax shall be:</u> |
|----------------------------------|---------------------------------|
| 1 <u>Not over \$2,400</u> | <u>1.40% of taxable income</u> |
| 2 <u>Over \$2,400 but</u> | <u>\$34.00 plus 3.20% of</u> |
| 3 <u>not over \$4,800</u> | <u>excess over \$2,400</u> |
| 4 <u>Over \$4,800 but</u> | <u>\$110.00 plus 5.50% of</u> |
| 5 <u>not over \$9,600</u> | <u>excess over \$4,800</u> |
| 6 <u>Over \$9,600 but</u> | <u>\$374.00 plus 6.40% of</u> |
| 7 <u>not over \$14,400</u> | <u>excess over \$9,600</u> |
| 8 <u>Over \$14,400 but</u> | <u>\$682.00 plus 6.80% of</u> |
| 9 <u>not over \$19,200</u> | <u>excess over \$14,400</u> |
| 10 <u>Over \$19,200 but</u> | <u>\$1,008.00 plus 7.20% of</u> |
| 11 <u>not over \$24,000</u> | <u>excess over \$19,200</u> |
| 12 <u>Over \$24,000 but</u> | <u>\$1,354.00 plus 7.60% of</u> |
| 13 <u>not over \$36,000</u> | <u>excess over \$24,000</u> |
| 14 <u>Over \$36,000 but</u> | <u>\$2,266.00 plus 7.90% of</u> |
| 15 <u>not over \$48,000</u> | <u>excess over \$36,000</u> |
| 16 <u>Over \$48,000</u> | <u>\$3,214.00 plus 8% of</u> |
| 17 | <u>excess over \$48,000."</u> |

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

21 "**§237-13 Imposition of tax.** There is hereby levied and
22 shall be assessed and collected annually privilege taxes against



1 persons on account of their business and other activities in the
2 [State] state measured by the application of rates against
3 values of products, gross proceeds of sales, or gross income,
4 whichever is specified, as follows:

5 (1) Tax on manufacturers.

6 (A) Upon every person engaging or continuing within
7 the [State] state in the business of
8 manufacturing, including compounding, canning,
9 preserving, packing, printing, publishing,
10 milling, processing, refining, or preparing for
11 sale, profit, or commercial use, either directly
12 or through the activity of others, in whole or in
13 part, any article or articles, substance or
14 substances, commodity or commodities, the amount
15 of the tax to be equal to the value of the
16 articles, substances, or commodities,
17 manufactured, compounded, canned, preserved,
18 packed, printed, milled, processed, refined, or
19 prepared for sale, as shown by the gross proceeds
20 derived from the sale thereof by the manufacturer
21 or person compounding, preparing, or printing
22 them, multiplied by one-half of one per cent.



1 (B) The measure of the tax on manufacturers is the
2 value of the entire product for sale, regardless
3 of the place of sale or the fact that deliveries
4 may be made to points outside the [~~State.~~] state.

5 (C) If any person liable for the tax on manufacturers
6 ships or transports the person's product, or any
7 part thereof, out of the State, whether in a
8 finished or unfinished condition, or sells the
9 same for delivery to points outside the [~~State~~]
10 state (for example, consigned to a mainland
11 purchaser via common carrier f.o.b. Honolulu),
12 the value of the products in the condition or
13 form in which they exist immediately before
14 entering interstate or foreign commerce,
15 determined as hereinafter provided, shall be the
16 basis for the assessment of the tax imposed by
17 this paragraph. This tax shall be due and
18 payable as of the date of entry of the products
19 into interstate or foreign commerce, whether the
20 products are then sold or not. The department
21 shall determine the basis for assessment, as
22 provided by this paragraph, as follows:



- 1 (i) If the products at the time of their entry
2 into interstate or foreign commerce already
3 have been sold, the gross proceeds of sale,
4 less the transportation expenses, if any,
5 incurred in realizing the gross proceeds for
6 transportation from the time of entry of the
7 products into interstate or foreign
8 commerce, including insurance and storage in
9 transit, shall be the measure of the value
10 of the products;
- 11 (ii) If the products have not been sold at the
12 time of their entry into interstate or
13 foreign commerce, and in cases governed by
14 clause (i) in which the products are sold
15 under circumstances such that the gross
16 proceeds of sale are not indicative of the
17 true value of the products, the value of the
18 products constituting the basis for
19 assessment shall correspond as nearly as
20 possible to the gross proceeds of sales for
21 delivery outside the [~~State,~~] state,
22 adjusted as provided in clause (i), or if



1 sufficient data are not available, sales in
2 the [~~State,~~] state, of similar products of
3 like quality and character and in similar
4 quantities, made by the taxpayer (unless not
5 indicative of the true value) or by others.
6 Sales outside the [~~State,~~] state, adjusted
7 as provided in clause (i), may be considered
8 when they constitute the best available
9 data. The department shall prescribe
10 uniform and equitable rules for ascertaining
11 the values;

12 (iii) At the election of the taxpayer and with the
13 approval of the department, the taxpayer may
14 make the taxpayer's returns under clause (i)
15 even though the products have not been sold
16 at the time of their entry into interstate
17 or foreign commerce; and

18 (iv) In all cases in which products leave the
19 State in an unfinished condition, the basis
20 for assessment shall be adjusted so as to
21 deduct the portion of the value as is



1 attributable to the finishing of the goods
2 outside the [~~State~~] state.

3 (2) Tax on business of selling tangible personal property;
4 producing.

5 (A) Upon every person engaging or continuing in the
6 business of selling any tangible personal
7 property whatsoever (not including, however,
8 bonds or other evidence of indebtedness, or
9 stocks), there is likewise hereby levied, and
10 shall be assessed and collected, a tax equivalent
11 to [~~four~~] five per cent of the gross proceeds of
12 sales of the business; provided that insofar as
13 the sale of tangible personal property is a
14 wholesale sale under section [+]~~237-4(a)(8)~~[+],
15 the sale shall be subject to section 237-13.3.
16 Upon every person engaging or continuing within
17 this [~~State~~] state in the business of a producer,
18 the tax shall be equal to one-half of one per
19 cent of the gross proceeds of sales of the
20 business, or the value of the products, for sale,
21 if sold for delivery outside the [~~State~~] state or
22 shipped or transported out of the [~~State~~] state,



1 and the value of the products shall be determined
2 in the same manner as the value of manufactured
3 products covered in the cases under paragraph
4 (1) (C).

5 (B) Gross proceeds of sales of tangible property in
6 interstate and foreign commerce shall constitute
7 a part of the measure of the tax imposed on
8 persons in the business of selling tangible
9 personal property, to the extent, under the
10 conditions, and in accordance with the provisions
11 of the Constitution of the United States and the
12 Acts of the Congress of the United States which
13 may be now in force or may be hereafter adopted,
14 and whenever there occurs in the [~~State~~] state an
15 activity to which, under the Constitution and
16 Acts of Congress, there may be attributed gross
17 proceeds of sales, the gross proceeds shall be so
18 attributed.

19 (C) No manufacturer or producer, engaged in such
20 business in the [~~State~~] state and selling the
21 manufacturer's or producer's products for
22 delivery outside of the [~~State~~] state (for



1 example, consigned to a mainland purchaser via
2 common carrier f.o.b. Honolulu), shall be
3 required to pay the tax imposed in this chapter
4 for the privilege of so selling the products, and
5 the value or gross proceeds of sales of the
6 products shall be included only in determining
7 the measure of the tax imposed upon the
8 manufacturer or producer.

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



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

19 (E) A taxpayer selling to a federal cost-plus
 20 contractor may make the election provided for by
 21 paragraph (3) (C), and in that case the tax shall
 22 be computed pursuant to the election,



1 notwithstanding this paragraph or paragraph (1)
2 to the contrary.

3 (F) The department, by rule, may require that a
4 seller take from the purchaser of tangible
5 personal property a certificate, in a form
6 prescribed by the department, certifying that the
7 sale is a sale at wholesale; provided that:

8 (i) Any purchaser who furnishes a certificate
9 shall be obligated to pay to the seller,
10 upon demand, the amount of the additional
11 tax that is imposed upon the seller whenever
12 the sale in fact is not at wholesale; and

13 (ii) The absence of a certificate in itself shall
14 give rise to the presumption that the sale
15 is not at wholesale unless the sales of the
16 business are exclusively at wholesale.

17 (3) Tax upon contractors.

18 (A) Upon every person engaging or continuing within
19 the [State] state in the business of contracting,
20 the tax shall be equal to [~~four~~] five per cent of
21 the gross income of the business.



1 (B) In computing the tax levied under this paragraph,
2 there shall be deducted from the gross income of
3 the taxpayer so much thereof as has been included
4 in the measure of the tax levied under
5 subparagraph (A), on:

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

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

12 (iii) A specialty contractor who is not licensed
13 by the department of commerce and consumer
14 affairs pursuant to section 444-9, but who
15 performs contracting activities on federal
16 military installations and nowhere else in
17 this [~~State,~~] state;

18 provided that any person claiming a deduction
19 under this paragraph shall be required to show in
20 the person's return the name and general excise
21 number of the person paying the tax on the amount
22 deducted by the person.



1 (C) In computing the tax levied under this paragraph
2 against any federal cost-plus contractor, there
3 shall be excluded from the gross income of the
4 contractor so much thereof as fulfills the
5 following requirements:

6 (i) The gross income exempted shall constitute
7 reimbursement of costs incurred for
8 materials, plant, or equipment purchased
9 from a taxpayer licensed under this chapter,
10 not exceeding the gross proceeds of sale of
11 the taxpayer on account of the transaction;
12 and

13 (ii) The taxpayer making the sale shall have
14 certified to the department that the
15 taxpayer is taxable with respect to the
16 gross proceeds of the sale, and that the
17 taxpayer elects to have the tax on gross
18 income computed the same as upon a sale to
19 the state government.

20 (D) A person who, as a business or as a part of a
21 business in which the person is engaged, erects,
22 constructs, or improves any building or



1 structure, of any kind or description, or makes,
2 constructs, or improves any road, street,
3 sidewalk, sewer, or water system, or other
4 improvements on land held by the person (whether
5 held as a leasehold, fee simple, or otherwise),
6 upon the sale or other disposition of the land or
7 improvements, even if the work was not done
8 pursuant to a contract, shall be liable to the
9 same tax as if engaged in the business of
10 contracting, unless the person shows that at the
11 time the person was engaged in making the
12 improvements the person intended, and for the
13 period of at least one year after completion of
14 the building, structure, or other improvements
15 the person continued to intend to hold and not
16 sell or otherwise dispose of the land or
17 improvements. The tax in respect of the
18 improvements shall be measured by the amount of
19 the proceeds of the sale or other disposition
20 that is attributable to the erection,
21 construction, or improvement of such building or
22 structure, or the making, constructing, or



1 improving of the road, street, sidewalk, sewer,
2 or water system, or other improvements. The
3 measure of tax in respect of the improvements
4 shall not exceed the amount which would have been
5 taxable had the work been performed by another,
6 subject as in other cases to the deductions
7 allowed by subparagraph (B). Upon the election
8 of the taxpayer, this paragraph may be applied
9 notwithstanding that the improvements were not
10 made by the taxpayer, or were not made as a
11 business or as a part of a business, or were made
12 with the intention of holding the same. However,
13 this paragraph shall not apply in respect of any
14 proceeds that constitute or are in the nature of
15 rent; all such gross income shall be taxable
16 under paragraph (9); provided that insofar as the
17 business of renting or leasing real property
18 under a lease is taxed under section 237-16.5,
19 the tax shall be levied by section 237-16.5.

20 (4) Tax upon theaters, amusements, radio broadcasting
21 stations, etc.



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

12 (B) The department may require that the person
13 rendering an amusement at wholesale take from the
14 licensed seller 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 licensed seller who furnishes a
18 certificate shall be obligated to pay to the
19 person rendering the amusement, upon demand,
20 the amount of additional tax that is imposed
21 upon the seller whenever the sale is not at
22 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 person
4 rendering the sale is exclusively rendering
5 the amusement at wholesale.

6 (5) Tax upon sales representatives, etc. Upon every
7 person classified as a representative or purchasing
8 agent under section 237-1, engaging or continuing
9 within the [~~State~~] state in the business of performing
10 services for another, other than as an employee, there
11 is likewise hereby levied and shall be assessed and
12 collected a tax equal to [~~four~~] five per cent of the
13 commissions and other compensation attributable to the
14 services so rendered by the person.

15 (6) Tax on service business.

16 (A) Upon every person engaging or continuing within
17 the [~~State~~] state in any service business or
18 calling including professional services not
19 otherwise specifically taxed under this chapter,
20 there is likewise hereby levied and shall be
21 assessed and collected a tax equal to [~~four~~] five
22 per cent of the gross income of the business, and



1 in the case of a wholesaler under section 237-
2 4(a)(10), the tax shall be equal to one-half of
3 one per cent of the gross income of the business.
4 Notwithstanding the foregoing, a wholesaler under
5 section 237-4(a)(10) shall be subject to section
6 237-13.3.

7 (B) The department may require that the person
8 rendering a service at wholesale take from the
9 licensed seller a certificate, in a form
10 prescribed by the department, certifying that the
11 sale is a sale at wholesale; provided that:

12 (i) Any licensed seller who furnishes a
13 certificate shall be obligated to pay to the
14 person rendering the service, upon demand,
15 the amount of additional tax that is imposed
16 upon the seller whenever the sale is not at
17 wholesale; and

18 (ii) The absence of a certificate in itself shall
19 give rise to the presumption that the sale
20 is not at wholesale unless the person
21 rendering the sale is exclusively rendering
22 services at wholesale.



1 (C) Where any person is engaged in the business of
2 selling interstate or foreign common carrier
3 telecommunication services within and without the
4 ~~[State,]~~ state, other than as a home service
5 provider, the tax shall be imposed on that
6 portion of gross income received by a person from
7 service which is originated or terminated in this
8 ~~[State]~~ state and is charged to a telephone
9 number, customer, or account in this ~~[State]~~
10 state notwithstanding any other state law (except
11 for the exemption under section 237-23(a)(1)) to
12 the contrary. If, under the Constitution and
13 laws of the United States, the entire gross
14 income as determined under this paragraph of a
15 business selling interstate or foreign common
16 carrier telecommunication services cannot be
17 included in the measure of the tax, the gross
18 income shall be apportioned as provided in
19 section 237-21; provided that the apportionment
20 factor and formula shall be the same for all
21 persons providing those services in the ~~[State.]~~
22 state.



1 (D) Where any person is engaged in the business of a
2 home service provider, the tax shall be imposed
3 on the gross income received or derived from
4 providing interstate or foreign mobile
5 telecommunications services to a customer with a
6 place of primary use in this [State] state when
7 such services originate in one state and
8 terminate in another state, territory, or foreign
9 country; provided that all charges for mobile
10 telecommunications services which are billed by
11 or for the home service provider are deemed to be
12 provided by the home service provider at the
13 customer's place of primary use, regardless of
14 where the mobile telecommunications originate,
15 terminate, or pass through; provided further that
16 the income from charges specifically derived from
17 interstate or foreign mobile telecommunications
18 services, as determined by books and records that
19 are kept in the regular course of business by the
20 home service provider in accordance with section
21 239-24, shall be apportioned under any
22 apportionment factor or formula adopted under



1 subparagraph (C). Gross income shall not
2 include:

3 (i) Gross receipts from mobile
4 telecommunications services provided to a
5 customer with a place of primary use outside
6 this [~~State;~~] state;

7 (ii) Gross receipts from mobile
8 telecommunications services that are subject
9 to the tax imposed by chapter 239;

10 (iii) Gross receipts from mobile
11 telecommunications services taxed under
12 section 237-13.8; and

13 (iv) Gross receipts of a home service provider
14 acting as a serving carrier providing mobile
15 telecommunications services to another home
16 service provider's customer.

17 For the purposes of this paragraph, "charges for
18 mobile telecommunications services", "customer",
19 "home service provider", "mobile
20 telecommunications services", "place of primary
21 use", and "serving carrier" have the same meaning
22 as in section 239-22.



- 1 (7) Tax on insurance producers. Upon every person engaged
2 as a licensed producer pursuant to chapter 431, there
3 is hereby levied and shall be assessed and collected a
4 tax equal to 0.15 per cent of the commissions due to
5 that activity.
- 6 (8) Tax on receipts of sugar benefit payments. Upon the
7 amounts received from the United States government by
8 any producer of sugar (or the producer's legal
9 representative or heirs), as defined under and by
10 virtue of the Sugar Act of 1948, as amended, or other
11 Acts of the Congress of the United States relating
12 thereto, there is hereby levied a tax of one-half of
13 one per cent of the gross amount received; provided
14 that the tax levied hereunder on any amount so
15 received and actually disbursed to another by a
16 producer in the form of a benefit payment shall be
17 paid by the person or persons to whom the amount is
18 actually disbursed, and the producer actually making a
19 benefit payment to another shall be entitled to claim
20 on the producer's return a deduction from the gross
21 amount taxable hereunder in the sum of the amount so
22 disbursed. The amounts taxed under this paragraph



1 shall not be taxable under any other paragraph,
2 subsection, or section of this chapter.

3 (9) Tax on other business. Upon every person engaging or
4 continuing within the [~~State~~] state in any business,
5 trade, activity, occupation, or calling not included
6 in the preceding paragraphs or any other provisions of
7 this chapter, there is likewise hereby levied and
8 shall be assessed and collected, a tax equal to [~~four~~]
9 five per cent of the gross income thereof. In
10 addition, the rate prescribed by this paragraph shall
11 apply to a business taxable under one or more of the
12 preceding paragraphs or other provisions of this
13 chapter, as to any gross income thereof not taxed
14 thereunder as gross income or gross proceeds of sales
15 or by taxing an equivalent value of products, unless
16 specifically exempted."

17 SECTION 3. Act 60, Session Laws of Hawaii 2009, is amended
18 by amending section 6 to read as follows:

19 "SECTION 6. This Act shall take effect upon approval,
20 provided that:

21 (1) Section 2 shall apply to taxable years beginning after
22 December 31, 2008; and



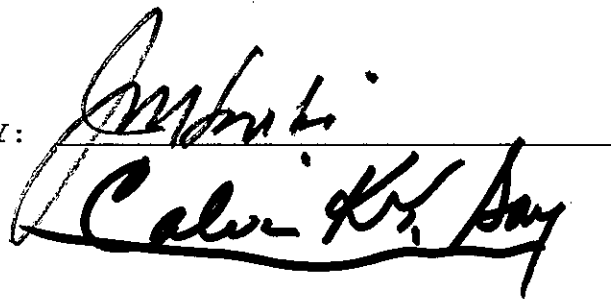
1 (2) Sections 1 and 3 shall apply to taxable years
 2 beginning after December 31, 2010[+], and
 3 ~~[(3) On]~~ on December 31, 2015, ~~[this Act]~~ shall be repealed
 4 and sections 235-2.4(a), ~~[235-51(a), (b), and (c),]~~
 5 and 235-54(a), Hawaii Revised Statutes, shall be
 6 reenacted in the form in which they read on the day
 7 before the effective date of this Act."

8 SECTION 4. Statutory material to be repealed is bracketed
 9 and stricken. New statutory material is underscored.

10 SECTION 5. This Act shall take effect upon its approval;
 11 provided that section 2 shall take effect on July 1, 2011, and
 12 shall be repealed on July 1, 2016, and section 237-13, Hawaii
 13 Revised Statutes, shall be reenacted in the form in which it
 14 read on June 30, 2011.

15

INTRODUCED BY:



A handwritten signature in black ink, appearing to read "Calvin K. King", is written over a horizontal line. The signature is stylized and cursive.

JAN 26 2011



Report Title:

Income tax rates; general excise tax rates

Description:

For taxable years after December 31, 2011, lowers to 8% the income tax rate for taxpayers with incomes currently taxed at a rate of 8.25% or higher. Effective from July 1, 2011, to July 1, 2016, raises the 4% general excise tax rate to 5%.

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