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# A BILL FOR AN ACT

RELATING TO TAXATION.

**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 national streamlined sales and use tax agreement. This  
4 agreement simplifies state tax systems, removes burdens to  
5 interstate commerce that are defined in the United States  
6 Supreme Court decision in *Quill Corp. v. North Dakota*, 504 U.S.  
7 298 (1992), and "levels the playing field" between local and  
8 out-of-state retailers. At its core, the Streamlined Sales Tax  
9 Project uses technology to accurately identify tax rates,  
10 collect taxes, and remit state tax revenues. Since 2005,  
11 out-of-state retailers have voluntarily collected and remitted  
12 over \$350,000,000 in taxes to participating states that would  
13 have otherwise likely gone uncollected by the states.

14           Hawaii's use tax, chapter 238, Hawaii Revised Statutes, has  
15 been on the books for over forty years and is similar to use tax  
16 laws in forty-five other states. Most Hawaii consumers do not  
17 realize that they owe the State a four per cent tax on their  
18 out-of-state purchases via catalog, direct mail, or the



1 Internet, and it is virtually impossible for the department of  
2 taxation to calculate and collect what individual taxpayers owe  
3 on those purchases.

4 In 2003, the State of Hawaii became a participant in the  
5 national Streamlined Sales Tax Project by enacting the Hawaii  
6 Simplified Sales and Use Tax Administration Act (Act 173,  
7 Session Laws of Hawaii 2003).

8 In 2005, to advance 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 legislature enacted Act 3, Special Session Laws of Hawaii 2005.  
12 Act 3 also established a technical advisory group to assist the  
13 department of taxation in identifying and resolving issues  
14 necessary for Streamlined Sales Tax Project compliance. A joint  
15 house-senate legislative oversight committee was formed to  
16 provide additional tax policy support and guidance.

17 During the 2006-2008 legislative sessions, legislation was  
18 introduced to implement conforming amendments to Hawaii's tax  
19 laws to implement the streamlined sales and use tax agreement in  
20 Hawaii. In 2009, the legislature adopted streamlined sales and  
21 use tax legislation that was subsequently vetoed by the  
22 administration (Governor's Message 835, July 15, 2009). The



1 2010 legislation was a culmination of prior efforts to adopt  
2 conforming legislation for the State to participate in and  
3 become a full member of the Streamlined Sales Tax Project. This  
4 Act will finally allow the State to begin collecting use taxes  
5 that currently exist under chapter 238, Hawaii Revised Statutes,  
6 which are presently going uncollected on the majority of out-of-  
7 state purchases.

8 To participate and become a full member in the streamlined  
9 sales and use tax agreement, Hawaii must amend its tax law to be  
10 in conformity with the streamlined sales and use tax agreement.  
11 The State must also adopt a single rate of general excise tax,  
12 Hawaii's substitute for a sales tax, to conform to the  
13 streamlined sales and use tax agreement. In accordance with  
14 advice received from the Streamlined Sales Tax Governing Board  
15 and COST, a national organization representing businesses, this  
16 was accomplished by:

- 17 (1) Moving the one-half of one per cent tax rate for  
18 wholesale transactions to a new chapter;
- 19 (2) Adding a new chapter on the taxation of imports of  
20 property, services, and contracting;
- 21 (3) Moving the 0.15 per cent tax on insurance producers to  
22 a new chapter; and



1 (4) Eliminating the tax on businesses owned by disabled  
2 persons.

3 This Act also provides for destination-based sourcing and  
4 amnesty.

5 The contents of this Act are updated to reflect the  
6 Streamlined Sales Tax Governing Board's amendments to the  
7 streamlined sales and use tax agreement through 2009. The State  
8 of Hawaii would benefit tremendously by adopting legislation  
9 that would enable the State to be in compliance with the  
10 streamlined sales and use tax agreement at the same time that  
11 federal legislation is being re-introduced in 2011.

12 SECTION 2. The Hawaii Revised Statutes is amended by  
13 adding a new chapter to be appropriately designated and to read  
14 as follows:

15 "CHAPTER

16 TAX ON WHOLESALERS, SERVICE BUSINESSES, AND CONTRACTORS

17 SA-1 Definitions. "Department" means the department of  
18 taxation.

19 The definitions contained in sections 237-1, 237-2, and  
20 237-3 shall apply to this chapter.



1           §A-2 "Wholesaler" and "jobber" defined. (a) "Wholesaler"  
2 or "jobber" applies only to a person making sales at wholesale.  
3 Only the following are sales at wholesale:

4           (1) Sales to a licensed retail merchant, jobber, or other  
5           licensed seller for purposes of resale;

6           (2) Sales to a licensed manufacturer of materials or  
7           commodities that are to be incorporated by the  
8           manufacturer into a finished or saleable product  
9           (including the container or package in which the  
10          product is contained) during the course of its  
11          preservation, manufacture, or processing, including  
12          preparation for market, and that will remain in a  
13          finished or saleable product in a form as to be  
14          perceptible to the senses, which finished or saleable  
15          product is to be sold and not otherwise used by the  
16          manufacturer;

17          (3) Sales to a licensed producer or cooperative  
18          association of materials or commodities that are to be  
19          incorporated by the producer or by the cooperative  
20          association into a finished or saleable product that  
21          is to be sold and not otherwise used by the producer  
22          or cooperative association, including specifically



1 materials or commodities expended as essential to the  
2 planting, growth, nurturing, and production of  
3 commodities that are sold by the producer or by the  
4 cooperative association;

5 (4) Sales to a licensed contractor of materials or  
6 commodities that are to be incorporated by the  
7 contractor into the finished work or project required  
8 by the contract and that will remain in a finished  
9 work or project in a form as to be perceptible to the  
10 senses;

11 (5) Sales to a licensed producer, or to a cooperative  
12 association described in section 237-23(a)(7) for sale  
13 to a licensed producer, or to a licensed person  
14 operating a feed lot, of poultry or animal feed,  
15 hatching eggs, semen, replacement stock, breeding  
16 services for the purpose of raising or producing  
17 animal or poultry products for disposition as  
18 described in section A-3 or for incorporation into a  
19 manufactured product as described in paragraph (2) or  
20 for the purpose of breeding, hatching, milking, or egg  
21 laying other than for the customer's own consumption  
22 of the meat, poultry, eggs, or milk so produced;



1 provided that in the case of a feed lot operator, only  
2 the segregated cost of the feed furnished by the feed  
3 lot operator as part of the feed lot operator's  
4 service to a licensed producer of poultry or animals  
5 to be butchered or to a cooperative association  
6 described in section 237-23(a)(7) of these licensed  
7 producers shall be deemed to be a sale at wholesale;  
8 and provided further that any amount derived from the  
9 furnishing of feed lot services, other than the  
10 segregated cost of feed, shall be deemed taxable at  
11 the service business rate specified in section  
12 A-6(a)(4). This paragraph shall not apply to the sale  
13 of feed for poultry or animals to be used for hauling,  
14 transportation, or sports purposes;

- 15 (6) Sales to a licensed producer, or to a cooperative  
16 association described in section 237-23(a)(7) for sale  
17 to the producer, of seed or seedstock for producing  
18 agricultural and aquacultural products, or bait for  
19 catching fish (including the catching of bait for  
20 catching fish), which agricultural and aquacultural  
21 products or fish are to be disposed of as described in



1 section A-3 or to be incorporated in a manufactured  
2 product as described in paragraph (2);

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

17 (8) Sales of tangible personal property where:

18 (A) Tangible personal property is sold upon the order  
19 or request of a licensed seller for the purpose  
20 of rendering a service in the course of the  
21 person's service business or calling, or upon the  
22 order or request of a person subject to tax under





1 section 237D-2 for the purpose of furnishing  
2 transient accommodations;

3 (B) The tangible personal property becomes or is used  
4 as an identifiable element of the service  
5 rendered; and

6 (C) The cost of the tangible personal property does  
7 not constitute overhead to the licensed seller;

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

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

14 (A) Either:

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

21 (ii) In the context of a service-to-tangible  
22 personal property transaction, a service is



1 rendered upon the order or request of a  
2 licensed seller for the purpose of  
3 manufacturing, producing, or preparing  
4 tangible personal property to be sold;

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

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

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



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



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

14          (13) Sales of amusements subject to taxation under section  
15          A-6(a)(3) to a licensed seller engaging in a business  
16          or calling whenever:

17           (A) Either:

18                   (i) In the context of an amusement-to-service  
19                   transaction, an amusement is rendered upon  
20                   the order or request of a licensed seller  
21                   for the purpose of rendering another service



1 in the course of the seller's service  
2 business or calling;

3 (ii) In the context of an amusement-to-tangible  
4 personal property transaction, an amusement  
5 is rendered upon the order or request of a  
6 licensed seller for the purpose of selling  
7 tangible personal property; or

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

14 (B) The benefit of the amusement passes to the  
15 customer of the licensed seller as an  
16 identifiable element of the other service,  
17 tangible personal property to be sold, or  
18 amusement;

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

21 (D) The gross income of the licensed seller is not  
22 divided between the licensed seller and another



1 licensed seller, person furnishing transient  
2 accommodations, or person rendering an amusement  
3 for imposition of the tax under chapter 237;

4 (E) The gross income of the licensed seller is not  
5 subject to a deduction under this chapter or  
6 chapter 237; and

7 (F) The resale of the service, tangible personal  
8 property, or amusement is subject to the tax  
9 imposed under this chapter or chapter 237.

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

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

21 (b) If the use tax law under chapter B is finally held by  
22 a court of competent jurisdiction to be unconstitutional or



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

19       **§A-3 "Producer" defined.** (a) "Producer" means any person  
20 engaged in the business of raising and producing agricultural  
21 products in their natural state, or in producing natural  
22 resource products, or engaged in the business of fishing or



1 aquaculture, for sale, or for shipment or transportation out of  
2 the State, of the agricultural or aquaculture products in their  
3 natural or processed state, or butchered and dressed, or the  
4 natural resource products, or fish.

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

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

12 §A-5 Licensing; tax year. Sections 237-9, 237-9.5,  
13 237-11, and 237-12 shall be applicable for this chapter.

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

20 (1) Tax on manufacturers:

21 (A) Upon every person engaging or continuing within  
22 the State in the business of manufacturing,





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

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

20 (C) If any person liable for the tax on manufacturers  
21 ships or transports the person's product, or any  
22 part thereof, out of the State, whether in a



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

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



1 commerce, including insurance and storage in  
2 transit, shall be the measure of the value  
3 of the products;

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



1 the best available data. The department  
2 shall prescribe uniform and equitable rules  
3 for ascertaining the values;

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

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

16 (2) Tax on producers. Upon every person engaging or  
17 continuing within this State in the business of a  
18 producer, the tax shall be equal to per cent  
19 of the gross proceeds of sales of the business, or the  
20 value of the products, for sale, if sold for delivery  
21 outside the State or shipped or transported out of the  
22 State, and the value of the products shall be



1 determined in the same manner as the value of  
2 manufactured products covered in the cases under  
3 paragraph (1) (C). No manufacturer or producer,  
4 engaged in the business of manufacturing or producing  
5 in the State and selling the manufacturer's or  
6 producer's products for delivery outside of the State  
7 (for example, consigned to a mainland purchaser via  
8 common carrier f.o.b. Honolulu), shall be required to  
9 pay the tax imposed in this chapter for the privilege  
10 of so selling the products, and the value or gross  
11 proceeds of sales of the products shall be included  
12 only in determining the measure of the tax imposed  
13 upon the manufacturer or producer;

- 14 (3) Tax on 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, the tax shall be per cent of the  
22 gross proceeds of the business;



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

8 (5) Tax on sales by wholesalers:

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

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



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

10 (b) When a manufacturer or producer, engaged in business  
11 in the State, also is engaged in selling the manufacturer's or  
12 producer's products in the State at wholesale taxed under this  
13 chapter, retail under chapter 237, or in any other manner, the  
14 tax for the privilege of engaging in the business of selling the  
15 products in the State shall apply to the manufacturer or  
16 producer as well as the tax for the privilege of manufacturing  
17 or producing in the State, and the manufacturer or producer  
18 shall make the returns of the gross proceeds of the wholesale,  
19 retail under chapter 237, or other sales required for the  
20 privilege of selling in the State, as well as making the returns  
21 of the value or gross proceeds of sales of the products required  
22 for the privilege of manufacturing or producing in the State.



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

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

17 (1) Any purchaser who furnishes a certificate shall be  
18 obligated to pay to the seller, upon demand, the  
19 amount of the additional tax that is imposed upon the  
20 seller whenever the sale in fact is not at wholesale;  
21 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 **§A-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 per  
16 cent of the gross amount received; provided that the tax levied  
17 hereunder on any amount so received and actually disbursed to  
18 another by a producer in the form of a benefit payment shall be  
19 paid by the person or persons to whom the amount is actually  
20 disbursed, and the producer actually making a benefit payment to  
21 another shall be entitled to claim on the producer's return a  
22 deduction from the gross amount taxable hereunder in the sum of



1 the amount so disbursed. The amounts taxed under this section  
2 shall not be taxable under any other paragraph, subsection, or  
3 section of this chapter or chapter 237.

4       §A-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 under this chapter and chapter 237. If a business is  
9 within the purview of two or more of the paragraphs of section  
10 237-13 or other provisions of this chapter or chapter 237, all  
11 of them apply, each provision being applicable to the  
12 appropriate item of gross income, gross proceeds of sales, or  
13 value of products. However, any person engaging or continuing  
14 in a business having gross income, gross proceeds of sales, and  
15 value of products, or any of these as the case may be, taxable  
16 at different rates, shall be subject to taxation upon the  
17 aggregate amount of the gross income, gross proceeds of sales,  
18 and value of products of the business at the highest rate  
19 applicable to any part of the aggregate, unless the person shall  
20 segregate the parts taxable at different rates upon the person's  
21 records and in the person's returns, and shall sustain the  
22 burden of proving that the segregation was correctly made.



1           **§A-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           **§A-11 Technicians.** When technicians supply dentists or  
8 physicians with dentures, orthodontic devices, braces, and  
9 similar items that 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 under  
17 A-6(a) (1) to a licensed retailer, rather than pursuant to  
18 chapter 237, at the rate of            per cent that is generally  
19 applied to professions and services.

20           **§A-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  
4 237-13(5), so much gross income as is derived from the rendering  
5 of the services shall be subjected to tax on the person  
6 rendering the services at the rate of                      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 as elsewhere provided.

21        **SA-13 Sales of telecommunications services through prepaid**  
22 **telephone calling service.** (a) For the purposes of this



1 section, "prepaid telephone calling service" means the right to  
2 exclusively purchase telecommunications services, paid for in  
3 advance, that enables the origination of calls using an access  
4 number or authorization code, whether manually or electronically  
5 dialed.

6 (b) If the sale or recharge of a prepaid telephone calling  
7 service does not take place at the vendor's place of business,  
8 it shall be conclusively determined to take place at the  
9 customer's shipping address; or if there is no item shipped,  
10 then it shall be the customer's billing address.

11 (c) When a person licensed under this chapter sells  
12 prepaid telephone calling services to a licensed retail  
13 merchant, jobber, or other licensed seller for purposes of  
14 resale, the person shall be taxed as a wholesaler selling  
15 tangible personal property.

16 (d) For purposes of prepaid telephone calling services  
17 only, all such services shall be taxed under this section and  
18 shall be in lieu of taxation under chapter 239.

19 **§A-14 Apportionment.** In the case of a tax upon the  
20 production of property in the State, the apportionment shall be  
21 determined as in the case of the tax on manufacturers provided  
22 in section A-6(a) (1).



1           **§A-15 Conformity to Constitution.** Section 237-22 shall  
2 apply to this chapter.

3           **§A-16 Exemptions.** The exemptions provided in sections  
4 237-23, 237-26, 237-27, 237-27.5, 237-29, 237-29.5, and  
5 237-29.53 shall apply to this chapter.

6           **§A-17 Amounts not taxable.** This chapter shall not apply  
7 to the following amounts:

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



1 disabled; or a limited liability company, all of whose  
2 members are blind, deaf, or totally disabled; and

3 (4) Amounts received by a producer of sugarcane from the  
4 manufacturer to whom the producer sells the sugarcane,  
5 where:

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

10 (B) The value or gross proceeds of sale of the sugar,  
11 and other products manufactured from the  
12 sugarcane, is included in the measure of the tax  
13 levied on the manufacturer under section  
14 A-6(a) (1);

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

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





1        §A-18 Exemption for sale of tangible personal property for  
2 resale at wholesale. (a) There shall be exempted from, and  
3 excluded from the measure of, the taxes imposed by this chapter  
4 all of the gross proceeds or gross income arising from the sale  
5 of tangible personal property imported to Hawaii from a foreign  
6 or domestic source to a licensed taxpayer for subsequent resale  
7 for the purpose of sale at wholesale as defined under section  
8 A-2.

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 A-2. 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 that is  
18 imposed upon the seller. The absence of a certificate, unless  
19 the sales of the business are exclusively a sale for the purpose  
20 of resale at wholesale, in itself, shall give rise to the  
21 presumption that the sale is not a sale for the purpose of  
22 resale at wholesale.





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

3 (A) A wholesaler or jobber importing or purchasing  
4 for purposes of sale or resale; or

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

15 there shall be no tax; provided that if the  
16 wholesaler, jobber, or manufacturer is also engaged in  
17 business as a retailer (so classed under chapter 237),  
18 paragraph (2) shall apply to the wholesaler, jobber,  
19 or manufacturer, but the director of taxation shall  
20 refund to the wholesaler, jobber, or manufacturer, in  
21 the manner provided under section 231-23(c) the amount  
22 of tax as the wholesaler, jobber, or manufacturer



1 shall establish, to the satisfaction of the director,  
2 to have been paid by the wholesaler, jobber, or  
3 manufacturer to the director with respect to property  
4 that has been used by the wholesaler, jobber, or  
5 manufacturer for the purposes stated in this  
6 paragraph; and

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

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

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



1 (C) A contractor importing or purchasing material or  
2 commodities that are to be incorporated by the  
3 contractor into the finished work or project  
4 required by the contract and that will remain in  
5 the finished work or project in a form as to be  
6 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 A-2(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                    per cent of the purchase  
4                    price of the property, if the purchase and sale are  
5                    consummated in Hawaii; or, if there is no purchase  
6                    price applicable thereto, or if the purchase or sale  
7                    is consummated outside of Hawaii, then                    per  
8                    cent of the value of the property.

9                    **§B-3 Imposition of tax on imported services or**  
10                    **contracting; exemptions.** There is hereby levied an excise tax  
11                    on the value of services or contracting as defined in section  
12                    237-6 that is performed by an unlicensed seller at a point  
13                    outside the State and imported or purchased for use in this  
14                    State. The tax imposed by this chapter shall accrue when the  
15                    service or contracting as defined in section 237-6 is received  
16                    by the importer or purchaser and becomes subject to the taxing  
17                    jurisdiction of the State. The rate of the tax hereby imposed  
18                    and the exemptions from the tax are as follows:

19                    (1) If the importer or purchaser is licensed under chapter  
20                    A and is:

21                    (A) Engaged in a service business or calling in which  
22                    the imported or purchased services or contracting



1 becomes identifiable elements, excluding  
2 overhead, of the services rendered by the  
3 importer or purchaser, and the gross income of  
4 the importer or purchaser is subject to the tax  
5 imposed under chapter A on services at the rate  
6 of per cent; or

7 (B) A manufacturer importing or purchasing services  
8 or contracting that becomes identifiable  
9 elements, excluding overhead, of a finished or  
10 saleable product (including the container or  
11 package in which the product is contained) and  
12 the finished or saleable product is to be sold in  
13 a manner that results in a further tax under  
14 chapter A on the manufacturer as a wholesaler,  
15 and not a retailer,

16 there shall be no tax imposed on the value of the  
17 imported or purchased services or contracting;  
18 provided that if the manufacturer is also engaged in  
19 business as a retailer as classified under chapter  
20 237, paragraph (2) shall apply to the manufacturer,  
21 but the director of taxation shall refund to the  
22 manufacturer, in the manner provided under section



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

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

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

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





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

4 (C) A contractor importing or purchasing services or  
5 contracting that becomes 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 per cent of the value of the  
12 imported or purchased services or contracting.

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

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



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

6 §B-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 §C-1 Definitions. The definitions contained in sections  
15 237-1, 237-2, and 237-3 shall apply to this chapter.

16 §C-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 per cent of the commissions due to that activity.

20 §C-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, 237-32, 237-33,  
6 237-33.5, 237-34, 237-35, 237-36, 237-37, 237-38, 237-39,  
7 237-40, 237-41, 237-42, 237-43, 237-46, 237-47, 237-49, and  
8 237-A to 237-F shall apply to this 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 ordinance  
14 or interpret any ordinance in a manner that violates the  
15 streamlined sales and use tax agreement established by the  
16 Streamlined Sales Tax Governing Board, Incorporated, and adopted  
17 pursuant to chapter 255D."

18       SECTION 6. Chapter 237, Hawaii Revised Statutes, is  
19 amended by adding six 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 designated donee)  
10       occurs, including the location indicated by  
11       instructions for delivery to the purchaser (or  
12       designated donee), known to the seller;

13       (C) When subparagraph (A) or (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 subparagraphs (A), (B), (C), and (D) do not  
7 apply, including the circumstance in which the  
8 seller is without sufficient information to apply  
9 subparagraphs (A), (B), (C), and (D), then the  
10 location shall be determined by the address from  
11 which tangible personal property was shipped,  
12 from which the digital good or the computer  
13 software delivered electronically was first  
14 available for transmission by the seller, or from  
15 which the service was provided (disregarding for  
16 these purposes any location that merely provided  
17 the digital transfer of the product sold);

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

21 (A) For a lease or rental that requires recurring  
22 periodic payments, the first periodic payment is



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

16          (B) For a lease or rental that does not require  
17          recurring periodic payments, the payment is  
18          sourced the same as a retail sale in accordance  
19          with paragraph (1).

20          This paragraph does not affect the imposition or  
21          computation of general excise or use tax on leases or



1 rentals based on a lump sum or accelerated basis, or  
2 on the acquisition of property for lease;

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

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

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

11 (A) Locomotives and rail cars that are utilized for  
12 the carriage of persons or property in interstate  
13 commerce;

14 (B) Trucks and truck-tractors with a gross vehicle  
15 weight rating of ten thousand one pounds or  
16 greater, trailers, semi-trailers, or passenger  
17 buses that are:

18 (i) Registered through the international  
19 registration plan; and

20 (ii) Operated under authority of a carrier  
21 authorized and certificated by the United  
22 States Department of Transportation or





1 another federal authority to engage in the  
2 carriage of persons or property in  
3 interstate commerce;

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

10 (D) Containers designed for use on and component  
11 parts attached or secured on the items set forth  
12 in subparagraphs (A) to (C).

13 §237-B General sourcing definitions. For the purposes of  
14 section 237-A(1), the terms "receive" and "receipt" mean:

15 (1) Taking possession of tangible personal property;

16 (2) Making first use of services; or

17 (3) Taking possession or making first use of digital  
18 goods,

19 whichever comes first.

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



1       §237-C Telecommunications sourcing rule. (a) Except for  
2       the defined telecommunications services in subsection (c), the  
3       sale of telecommunications service sold on a call-by-call basis  
4       shall be sourced to:

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

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

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

14       (c) The sale of the following telecommunications services  
15       shall be sourced to each level of taxing jurisdiction as  
16       follows:

17       (1) A sale of mobile telecommunications service other than  
18       air-to-ground radiotelephone service and prepaid  
19       calling service, is sourced to the customer's place of  
20       primary use as required by the Mobile  
21       Telecommunications Sourcing Act;



- 1        (2) A sale of post-paid calling service is sourced to the  
2        origination point of the telecommunications signal as  
3        first identified by either:
- 4        (A) The seller's telecommunications system; or  
5        (B) Information received by the seller from its  
6        service provider, where the system used to  
7        transport such signals is not that of the seller;
- 8        (3) A sale of prepaid calling service or a sale of a  
9        prepaid wireless calling service is sourced in  
10       accordance with section 237-A; provided that in the  
11       case of a sale of prepaid wireless calling service,  
12       section 237-A(1)(E) shall apply in addition to an  
13       option to use the location associated with the mobile  
14       telephone number; or
- 15       (4) A sale of a private communication service is sourced  
16       as follows:
- 17       (A) Service for a separate charge related to a  
18       customer channel termination point is sourced to  
19       each level of jurisdiction in which the customer  
20       channel termination point is located;
- 21       (B) Service where all customer termination points are  
22       located entirely within one jurisdiction or



1 levels of jurisdiction is sourced in the  
2 jurisdiction in which the customer channel  
3 termination points are located; or

4 (C) Service for segments of a channel between two  
5 customer channel termination points located in  
6 different jurisdictions and which segment of a  
7 channel are separately charged is sourced  
8 per cent in each level of jurisdiction in  
9 which the customer channel termination points are  
10 located.

11 Service for segments of a channel located in more than  
12 one jurisdiction or levels of jurisdiction and where  
13 the segments are not separately billed shall be  
14 sourced in each jurisdiction based on the percentage  
15 determined by dividing the number of customer channel  
16 termination points in the jurisdiction by the total  
17 number of customer channel termination points in all  
18 jurisdictions.

19 §237-D Telecommunications sourcing definitions. For the  
20 purpose of section 237-C, the following definitions shall apply:

21 "Air-to-ground radiotelephone service" means a radio  
22 service, as that term is defined in 47 C.F.R. 22.99, in which



1 common carriers are authorized to offer and provide radio  
2 telecommunications service for hire to subscribers in aircraft.

3 "Call-by-call basis" means any method of charging for  
4 telecommunications services where the price is measured by  
5 individual calls.

6 "Communications channel" means a physical or virtual path  
7 of communications over which signals are transmitted between or  
8 among customer channel termination points.

9 "Customer":

- 10 (1) Means the person or entity that contracts with the  
11 seller of telecommunications services. For the  
12 purpose of sourcing sales of telecommunications  
13 services under section 237-C, the end user of  
14 telecommunications services is not the contracting  
15 party, the end user of the telecommunications service  
16 is the customer of the telecommunications service; and
- 17 (2) Does not include a reseller of telecommunications  
18 service or for mobile telecommunications service of a  
19 serving carrier under an agreement to serve the  
20 customer outside the home service provider's licensed  
21 service area.



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

3 "End user" means the person who utilizes the  
4 telecommunications service. In the case of an entity, "end  
5 user" means the individual who utilizes the service on behalf of  
6 the entity.

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

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

13 "Place of primary use" means the street address  
14 representative of where the customer's use of the  
15 telecommunications service primarily occurs, which shall be the  
16 residential street address or the primary business street  
17 address of the customer. In the case of mobile  
18 telecommunications services, "place of primary use" shall be  
19 within the licensed service area of the home service provider.

20 "Post-paid calling service" means the telecommunications  
21 service obtained by making a payment on a call-by-call basis  
22 either through the use of a credit card or payment mechanism



1 such as a bank card, travel card, or debit card, or by charge  
2 made to a telephone number that is not associated with the  
3 origination or termination of the telecommunications service. A  
4 post-paid calling service includes a telecommunications service,  
5 except a prepaid wireless calling service, which would be a  
6 prepaid calling service except it is not exclusively a  
7 telecommunications service.

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

14 "Prepaid wireless calling service" means a  
15 telecommunications service that provides the right to utilize  
16 mobile wireless service as well as other non-telecommunications  
17 services, including the download of digital products delivered  
18 electronically, and content and ancillary services, which must  
19 be paid for in advance and is sold in predetermined units or  
20 dollars of which the number declines with use in a known amount.

21 "Private communication service" means a telecommunications  
22 service that entitles the customer to exclusive or priority use



1 of a communications channel or group of channels between or  
2 among termination points, regardless of the manner in which the  
3 channel or channels are connected, and includes switching  
4 capacity, extension lines, stations, and any other associated  
5 services that are provided in connection with the use of the  
6 channel or channels.

7 "Service address" means:

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





1       §237-E Deduction for bad debts. (a) A seller shall be  
2       allowed a deduction from taxable sales for bad debts. A seller  
3       may deduct the amount of bad debts from the seller's gross  
4       sales, rentals, or services used for the computation of the tax.  
5       The amount of gross sales, rentals, or services deducted shall  
6       be charged off as uncollectible on the books and records of the  
7       seller at the time the debt becomes worthless and deducted on  
8       the return for the period during which the bad debt is written  
9       off as uncollectible in the claimant's books and records and  
10       shall be eligible to be deducted for income tax purposes.

11       For the purposes of this section, a claimant who is not  
12       required to file a federal income tax return may deduct a bad  
13       debt on a return filed for the period in which the bad debt  
14       becomes worthless and is written off as uncollectible in the  
15       claimant's books and records and would be eligible for a bad  
16       debt deduction for federal income tax purposes if the claimant  
17       was required to file a federal income tax return.

18       If a consumer or other person pays all or part of a bad  
19       debt with respect to which a seller claimed a deduction under  
20       this section, the seller is liable for the amount of taxes  
21       deducted in connection with that portion of the debt for which  
22       payment is received and shall remit these taxes in the seller's



1 next payment to the department. Any payments made on a bad debt  
2 shall be applied proportionally first to the taxable price of  
3 the property and the tax on the property and second to any  
4 interest, service, or other charge.

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

14 (c) If a certified service provider assumed filing  
15 responsibility under chapter 255D, the certified service  
16 provider may claim, on behalf of the seller, any bad debt  
17 allowable to the seller and shall credit or refund that amount  
18 of bad debt allowed or refunded to the seller.

19 (d) If the books and records of a seller under chapter  
20 255D, who claims a bad debt allowance, support an allocation of  
21 the bad debts among member states of that agreement, the seller  
22 may allocate the bad debt.



1        (e) As used in this section, "bad debt" means any portion  
2 of a debt resulting from a seller's collection of the use tax  
3 under chapter 255D on the purchase of tangible personal property  
4 or services that is not otherwise deductible or excludable and  
5 is eligible to be claimed, or could be eligible to be claimed if  
6 the seller kept accounts on an accrual basis, as a deduction  
7 pursuant to section 166 (with respect to bad debts) of the  
8 Internal Revenue Code. A bad debt does not include any of the  
9 following:

- 10        (1) Interest, finance charge, or use tax on the purchase  
11        price;
- 12        (2) Uncollectible amounts on property that remains in the  
13        possession of the seller until the full purchase price  
14        is paid;
- 15        (3) Expenses incurred in attempting to collect any account  
16        receivable or any portion of the debt recovered;
- 17        (4) Any accounts receivable that have been sold to and  
18        remain in the possession of a third party for  
19        collection; or
- 20        (5) Repossessed property.

21        §237-F Direct mail sourcing. (a) Notwithstanding the  
22 general sourcing provisions of section 237-A, a purchaser of



1 direct mail who is not a holder of a direct pay permit shall  
2 provide to the seller, in conjunction with the purchase, either  
3 a direct mail form or information to show the jurisdictions to  
4 which the direct mail is delivered to recipients.

5 Upon receipt of the direct mail form, the seller shall be  
6 relieved of all obligations to collect, pay, or remit the  
7 applicable tax and the purchaser shall be obligated to pay or  
8 remit the applicable tax on a direct pay basis. A direct mail  
9 form shall remain in effect for all future sales of direct mail  
10 by the seller to the purchaser until it is revoked in writing.

11 Upon receipt of information from the purchaser showing the  
12 jurisdictions to which the direct mail is delivered to  
13 recipients, the seller shall collect the tax according to the  
14 delivery information provided by the purchaser. In the absence  
15 of bad faith, the seller shall be relieved of any further  
16 obligation to collect tax on any transaction for which the  
17 seller has collected tax pursuant to the delivery information  
18 provided by the purchaser.

19 (b) If the purchaser of direct mail does not have a direct  
20 pay permit and does not provide the seller with either a direct  
21 mail form or delivery information as required under subsection  
22 (a), the seller shall collect the tax. Nothing in this



1 subsection shall limit a purchaser's obligation for sales or use  
2 tax to any state to which the direct mail is delivered.

3 (c) If a purchaser of direct mail provides the seller with  
4 documentation of direct pay authority, the purchaser shall not  
5 be required to provide a direct mail form or delivery  
6 information to the seller.

7 (d) Receipts from sales of direct mail for distribution to  
8 out-of-state recipients and receipts from sales of direct mail  
9 processing services in connection with distribution of direct  
10 mail to out-of-state recipients shall be exempt from taxation  
11 under this chapter. The exemption provided by this section  
12 shall apply to receipts from charges for the printing or  
13 production of direct mail, whether prepared in or shipped into  
14 Hawaii, after preparation, and stored for subsequent shipment to  
15 out-of-state customers. The direct mail processing services  
16 exemption provided under this section shall apply to receipts  
17 from charges for all direct mail processing services for  
18 distribution to out-of-state recipients, including but not  
19 limited to preparing and maintaining mailing lists, addressing,  
20 separating, folding, inserting, sorting, and packaging direct  
21 mail materials, and transporting the direct mail to the point of  
22 shipment by the mail service or other carrier."



1 SECTION 7. Section 237-1, Hawaii Revised Statutes, is  
2 amended by adding seven new definitions to be appropriately  
3 inserted and to read as follows:

4 "Delivery charges" means charges by the seller for  
5 preparation and delivery to a location designated by the  
6 purchaser of personal property or services, including but not  
7 limited to transportation, shipping, postage, handling, crating,  
8 and packing. If a shipment includes both exempt and taxable  
9 property, the seller shall allocate the delivery charge by  
10 using:

11 (1) A percentage based on the total sales price of the  
12 taxable property compared to the total sales price of  
13 all property in the shipment; or

14 (2) A percentage based on the total weight of the taxable  
15 property compared to the total weight of all property  
16 in the shipment.

17 "Department" means the department of taxation.

18 "Direct mail":

19 (1) Means printed material delivered or distributed by  
20 United States mail or other delivery service to a mass  
21 audience or to addresses on a mailing list provided by  
22 the purchaser, or at the direction of the purchaser,



1 in cases in which the cost of the items are not billed  
2 directly to the recipients;

3 (2) Includes tangible personal property supplied directly  
4 or indirectly by the purchaser to the direct mail  
5 seller for inclusion in the package containing the  
6 printed material; and

7 (3) Does not include multiple items of printed material.

8 "Lease or rental":

9 (1) Means any transfer of possession or control of  
10 tangible personal property for a fixed or  
11 indeterminate term for consideration;

12 (2) May include future options to purchase or extend; and

13 (3) Does not include:

14 (A) A transfer of possession or control of property  
15 under a security agreement or deferred payment  
16 plan that requires the transfer of title upon  
17 completion of the required payments;

18 (B) A transfer of possession or control of property  
19 under an agreement that requires the transfer of  
20 title upon completion of required payments and  
21 payment of an option price that does not exceed



1                    the greater of \$100 or                    per cent of the  
2                    total required payments;

3                    (C) Providing tangible personal property along with  
4                    an operator for a fixed or indeterminate period  
5                    of time. A condition of this exclusion is that  
6                    the operator is necessary for the equipment to  
7                    perform as designed. For the purpose of this  
8                    subparagraph, an operator shall do more than  
9                    maintain, inspect, or set-up the tangible  
10                   personal property; or

11                   (D) Agreements covering motor vehicles and trailers  
12                   where the amount of consideration may be  
13                   increased or decreased by reference to the amount  
14                   realized upon sale or disposition of the property  
15                   as defined in section 7701(h) (with respect to  
16                   motor vehicle operating leases) of the Internal  
17                   Revenue Code.

18                   For the purposes of this chapter, the definition of "lease  
19                   or rental" shall be used regardless of whether a transaction is  
20                   characterized as a lease or rental under generally accepted  
21                   accounting principles, the federal Internal Revenue Code, or



1 other provisions of federal, state, or local law; provided that  
2 this definition shall not apply to section 237-16.5 or 237-43.

3 "Purchase price" applies to the measure subject to use tax  
4 and has the same meaning as sales price.

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

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

20 "Tangible personal property" means personal property that  
21 can be seen, weighed, measured, felt, or touched, or that is in



1 any manner perceptible to the senses. Tangible personal  
2 property includes gas, steam, and prewritten computer software."

3 SECTION 8. Chapter 239, Hawaii Revised Statutes, is  
4 amended by adding a new section to part II to be appropriately  
5 designated and to read as follows:

6 "§239- Treatment of conflicts. In a case where the tax  
7 under chapter 237 and this part may be applied to the same gross  
8 income or gross proceeds, the tax shall only be levied,  
9 assessed, and collected under chapter 237."

10 SECTION 9. Chapter 255D, Hawaii Revised Statutes, is  
11 amended by adding nine new sections to be appropriately  
12 designated and to read as follows:

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

21 §255D-B Rounding rule. For the purpose of calculating the  
22 amount of the sales or use tax:



1       (1) The tax computation shall be carried to the third  
2       decimal place; and

3       (2) The tax shall be rounded to a whole cent using a  
4       method that rounds up to the next cent whenever the  
5       third decimal place is greater than four.

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

9       §255D-C Amnesty for registration under this chapter. (a)

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

20      (b) The amnesty shall preclude assessment for uncollected  
21      or unpaid sales tax under chapter 237 or use tax under chapter  
22      238 together with penalty or interest for sales made during the



1 period the seller was not registered in the State; provided  
2 registration occurs within twelve months of the effective date  
3 of the State's participation in the streamlined sales and use  
4 tax agreement.

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

10 (d) The amnesty shall not be available for sales or use  
11 taxes already paid or remitted to the State or to taxes  
12 collected by the seller.

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

20 (f) The amnesty shall only apply to sales or use taxes due  
21 from a seller in its capacity as a seller and not to sales or  
22 use taxes due from a seller in its capacity as a buyer.



1       §255D-D Local rate and boundary changes. (a) Any rate  
2 changes by a local jurisdiction shall be effective only on the  
3 first day of a calendar quarter after a minimum of sixty days  
4 notice to sellers.

5       (b) Any local tax rate changes relating to purchases from  
6 printed catalogs wherein the purchaser computes the tax based  
7 upon local tax rates published in the catalog shall be effective  
8 only on the first day of a calendar quarter after a minimum of  
9 one hundred twenty days notice to sellers.

10       (c) For sales and use tax purposes only, local  
11 jurisdiction boundary changes apply only on the first day of a  
12 calendar quarter after a minimum of sixty days notice to  
13 sellers.

14       (d) The department shall provide and maintain a database  
15 that describes boundary changes for all taxing jurisdictions.  
16 The database shall include a description of the change and the  
17 effective date of the change for sales tax under chapter 237 and  
18 use tax under chapter 238 purposes.

19       (e) The department shall provide and maintain a database  
20 of all sales tax rates under chapter 237 and use tax rates under  
21 chapter 238 for all of the jurisdictions levying taxes within  
22 the State. For the identification of states, counties, and



1 cities, codes corresponding to the rates shall be provided  
2 according to Federal Information Processing Standards as  
3 developed by the National Institute of Standards and Technology.  
4 For the identification of all other jurisdictions, codes  
5 corresponding to the rates shall be in the format determined by  
6 the Streamlined Sales Tax Governing Board, Incorporated.

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



1 Incorporated, that makes this designation from the street  
2 address and the five-digit zip code of the purchaser.

3 (g) The State shall participate with other states in the  
4 development of an address-based system for assigning taxing  
5 jurisdictions. The system shall meet the requirements developed  
6 pursuant to the federal Mobile Telecommunications Sourcing Act  
7 (4 U.S.C. 116). If any state develops an address-based  
8 assignment system pursuant to the Mobile Telecommunications  
9 Sourcing Act, a seller may use that system in place of the  
10 system provided for in subsection (e).

11 §255D-E Certified service provider; agent of the seller.

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

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



1       §255D-F Confidentiality of records. (a) Except as  
2 provided in subsection (c), a certified service provider shall  
3 not retain or disclose the personally identifiable information  
4 of consumers. A certified service provider's system shall be  
5 designed and tested to ensure the privacy of consumers by  
6 protecting their anonymity.

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

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

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





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

3       (f) If personally identifiable information is retained by  
4 the State for the purpose of subsection (c), in the absence of  
5 exigent circumstances, a person shall be afforded reasonable  
6 access to the person's own data, with a right to correct  
7 inaccurately recorded data.

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

- 10       (1) Conduct audits or other reviews as provided under the  
11 agreement or the State's law;
- 12       (2) Provide records pursuant to chapter 92F, disclosure  
13 laws with governmental agencies, or other regulations;
- 14       (3) Prevent, consistent with the State's law, disclosures  
15 of confidential taxpayer information;
- 16       (4) Prevent, consistent with federal law, disclosures or  
17 misuse of federal return information obtained under a  
18 disclosure agreement with the Internal Revenue  
19 Service; or
- 20       (5) Collect, disclose, disseminate, or otherwise use  
21 anonymous data for governmental purposes.



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

5       (i) The department shall destroy personally identifiable  
6 information obtained from a certified service provider when the  
7 information is no longer required for purposes under subsection  
8 (c).

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

14       (k) As used in this section, "personally identifiable  
15 information" means information that identifies a specific  
16 person.

17       §255D-G Liability for uncollected tax. (a) A seller  
18 registered under the agreement is not liable for any uncollected  
19 or nonremitted tax on transactions with purchasers in the State  
20 before the date of registration, if the seller was not licensed  
21 or registered under chapter 237 in the twelve-month period  
22 preceding the effective date of the State's participation in the



1 agreement. The seller is also not responsible for any penalty  
2 or interest that may be due on those transactions. This  
3 subsection applies only if the seller is registered in this  
4 State within twelve months of the effective date of this State's  
5 participation in the agreement.

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

- 7 (1) Any tax liability of the registered seller for  
8 transactions that are subject to sales or use tax in  
9 the State in which the registered seller is the  
10 purchaser;
- 11 (2) Any sales or use taxes already paid or remitted to the  
12 State or to taxes collected by the seller; and
- 13 (3) Any transactions for which the seller received notice  
14 of the commencement of an audit and the audit is not  
15 finally resolved, including related administrative or  
16 judicial processes.

17 (c) Subsection (a) applies to the seller absent the  
18 seller's fraud or intentional misrepresentation of a material  
19 fact, only if the seller continues to be registered under the  
20 agreement and continues collection and remittance of applicable  
21 sales and use taxes in the State for at least thirty-six months.



1 The statute of limitations applicable to assessing a tax  
2 liability shall be tolled during the thirty-six-month period.

3 §255D-H Rate changes. (a) The department shall publish  
4 on its website a notification to sellers registered under the  
5 agreement of a change in tax rate or tax base within five  
6 business days of receiving notice of the changes to the tax rate  
7 or tax base or of an amendment to sales and use tax rules.  
8 Whenever possible, a tax rate or tax base change should occur on  
9 the first day of a calendar quarter.

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

13 (c) The department shall complete a taxability matrix as  
14 provided for under section 328 of the agreement, maintain it in  
15 a database in a downloadable format approved by the Streamlined  
16 Sales Tax Governing Board, Incorporated, and provide notice of  
17 changes in the matrix.

18 §255D-I Customer refund procedures. A cause of action  
19 against a seller for overcollected sales or use taxes does not  
20 accrue until sixty days after a purchaser has provided written  
21 notice to the seller. The purchaser shall provide sufficient  
22 information in the notice to determine the validity of the



1 request. In matters relating to the request, a seller is  
2 presumed to have a reasonable business practice if, in the  
3 collection of sales or use tax, the seller has a certified  
4 service provider or a system, including a proprietary system,  
5 certified by the department, and has remitted to this State all  
6 taxes collected, less any deductions, credits, or collection  
7 allowances."

8 SECTION 10. Section 237-3, Hawaii Revised Statutes, is  
9 amended by amending subsection (a) to read as follows:

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

22 Every taxpayer shall be presumed to be dealing on a cash basis



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

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

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

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



1 surcharge on state tax. With respect to the surcharge, the  
2 director of taxation shall have all the rights and powers  
3 provided under this chapter. No county shall conduct an  
4 independent tax audit of sellers registered under the  
5 streamlined sales and use tax agreement. In addition, the  
6 director of taxation shall have the exclusive rights and power  
7 to determine the county or counties in which a person is engaged  
8 in business and, in the case of a person engaged in business in  
9 more than one county, the director shall determine, through  
10 apportionment or other means, that portion of the surcharge on  
11 state tax attributable to business conducted in each county."

12 SECTION 12. Section 237-9, Hawaii Revised Statutes, is  
13 amended to read as follows:

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



1 person shall thereby be duly licensed to engage in and conduct  
2 the business. The license shall not be transferable and shall  
3 be valid only for the person in whose name it is issued and for  
4 the transaction of business at the place designated therein.  
5 The license may be inspected and examined, and shall at all  
6 times be conspicuously displayed at the place for which it is  
7 issued.

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

12 (b) Licenses and applications therefor shall be in such  
13 form as the department shall prescribe, except that where the  
14 licensee is engaged in two or more forms of business of  
15 different classification, the license shall so state on its  
16 face. The license provided for by this section shall be  
17 effective until canceled in writing. Any application for the  
18 reissuance of a previously canceled license identification  
19 number after December 31, 1989, shall be regarded as a new  
20 license application and subject to the payment of the one-time  
21 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) Any person who receives gross income or gross proceeds  
4 of sales or value of products from engaging in business in the  
5 State and who fails to obtain a license or receives gross income  
6 or gross proceeds of sales or value of products from engaging in  
7 business in the State without a license required under this  
8 section may be fined not more than \$500; provided that a cash-  
9 based business may be fined not less than \$500 and not more than  
10 \$2,000, as determined by the director or the director's  
11 designee. The penalty under this subsection shall be in  
12 addition to any other penalty provided under law and may be  
13 waived or canceled upon a showing of good cause.

14 (d) If the license fee is paid, the department shall not  
15 refuse to issue a license or revoke or cancel a license for the  
16 exercise of a privilege protected by the First Amendment of the  
17 Constitution of the United States, or for the carrying on of  
18 interstate or foreign commerce, or for any privilege the  
19 exercise of which, under the Constitution and laws of the United  
20 States, cannot be restrained on account of nonpayment of taxes,  
21 nor shall section 237-46 be invoked to restrain the exercise of



1 such a privilege, or the carrying on of [~~sueh~~] interstate or  
2 foreign commerce.

3 (e) The director may permit a person engaged in network  
4 marketing, multi-level marketing, or other similar business to  
5 obtain the license required under this section for purposes of  
6 becoming a tax collection agent on behalf of its direct sellers.  
7 The tax collection agent shall report, collect, and pay over the  
8 taxes due under this chapter and chapter 238 on behalf of its  
9 direct sellers who are covered by the tax collection agreement.  
10 The tax collection agent's direct sellers shall be deemed to be  
11 licensed under this chapter; provided that the licensure shall  
12 apply solely to the business activity conducted directly through  
13 the marketing arrangement. Under this section, a tax collection  
14 agent shall:

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

20 (2) If required by the director as a condition of  
21 obtaining the license, furnish with the annual return,  
22 a list (including identification numbers) of all



1 direct sellers for the taxable year who have been  
2 provided (by the tax collection agent) information  
3 returns required under section 6041A (with respect to  
4 returns regarding payments of remuneration for  
5 services and direct sales) of the Internal Revenue  
6 Code [~~of 1986, as amended,~~] and any other information  
7 that is relevant to ensure proper payment of taxes due  
8 under this section; and

- 9 (3) Be personally liable for the taxes due and collected  
10 under the tax collection agreement if taxes are  
11 collected, but not reported or paid, together with  
12 penalties and interest as provided by law.

13 (f) The director may authorize a person to assume the  
14 obligation of self-accruing and remitting tax due on purchases  
15 or leases or rentals directly to the department under a direct  
16 payment authorization, if the following conditions are met:

- 17 (1) The authorization is to be used for the purchase or  
18 lease of tangible personal property or services;  
19 (2) The authorization is necessary because it is either  
20 impractical at the time of acquisition to determine  
21 the manner in which the tangible personal property or



1           services will be used or it will facilitate improved  
2           compliance with the tax laws of the State; and  
3           (3) The person requesting authorization for direct payment  
4           maintains accurate and complete records of all  
5           purchases or leases and uses of tangible personal  
6           property or services purchased pursuant to the direct  
7           payment authorization in a form acceptable to the  
8           department.

9           The department may identify items that are not eligible for  
10          a direct payment authorization.

11          [~~(f)~~] (g) For the purposes of this section:

12          "Cash-based business" has the same meaning as in section  
13          231-93.

14          "Consumer product" shall include tangible consumer products  
15          and intangible consumer services.

16          "Direct seller" means any person who is engaged in the  
17          trade or business of selling (or soliciting the sale of)  
18          consumer products:

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



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

3 (A) Substantially all the remuneration (whether or  
4 not paid in cash) for the sale of consumer  
5 products is directly related to sales or other  
6 output rather than to the number of hours worked;  
7 and

8 (B) The sales of consumer products by the person are  
9 performed pursuant to a written contract that  
10 provides that the person will not be treated as  
11 an employee with respect to those sales for  
12 federal or state tax purposes.

13 "Direct seller" includes individuals who realize  
14 remuneration dependent on the productivity of other individuals  
15 in the marketing arrangement.

16 "Network marketing" or "multi-level marketing" means a  
17 marketing arrangement in which consumer products are distributed  
18 and sold to or through direct sellers."

19 SECTION 13. 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 measured by the application of rates against values of  
3 products, gross proceeds of sales, or gross income, whichever is  
4 specified, as follows:

5 ~~[-(1) Tax on manufacturers.~~

6 ~~(A) Upon every person engaging or continuing within~~  
7 ~~the State in the business of manufacturing,~~  
8 ~~including compounding, canning, preserving,~~  
9 ~~packing, printing, publishing, milling,~~  
10 ~~processing, refining, or preparing for sale,~~  
11 ~~profit, or commercial use, either directly or~~  
12 ~~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.~~

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           ~~(for example, consigned to a mainland purchaser~~  
11           ~~via common carrier f.o.b. Honolulu), the value of~~  
12           ~~the products in the condition or form in which~~  
13           ~~they exist immediately before entering interstate~~  
14           ~~or foreign commerce, determined as hereinafter~~  
15           ~~provided, shall be the basis for the assessment~~  
16           ~~of the tax imposed by this paragraph. This tax~~  
17           ~~shall be due and payable as of the date of entry~~  
18           ~~of the products into interstate or foreign~~  
19           ~~commerce, whether the products are then sold or~~  
20           ~~not. The department shall determine the basis~~  
21           ~~for assessment, as provided by this paragraph, as~~  
22           ~~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, adjusted as~~  
22          ~~provided in clause (i), or if sufficient~~





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

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

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



1       ~~(2)~~] (1) Tax on business of selling tangible personal  
2                   property[~~,- producing-~~]:

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



1 ~~same manner as the value of manufactured products~~  
2 ~~covered in the cases under paragraph (1)(C).]~~

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

18 ~~(C) No manufacturer or producer, engaged in such~~  
19 ~~business in the State and selling the~~  
20 ~~manufacturer's or producer's products for~~  
21 ~~delivery outside of the State (for example,~~  
22 ~~consigned to a mainland purchaser via common~~



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

8 ~~[-(D)]~~ (C) When a manufacturer or a producer[7] as  
9 defined under section A-3, engaged in [such] the  
10 business of manufacturing or producing in the  
11 State, also is engaged in selling the  
12 manufacturer's or producer's products in the  
13 State at wholesale[7] and taxed under chapter A,  
14 retail, or in any other manner, the tax for the  
15 privilege of engaging in the business of selling  
16 the products in the State shall apply to the  
17 manufacturer or producer as well as the tax for  
18 the privilege of manufacturing or producing in  
19 the State, and the manufacturer or producer shall  
20 make the returns of the gross proceeds of the  
21 wholesale, retail, or other sales required for  
22 the privilege of selling in the State, as well as



1 making the returns of the value or gross proceeds  
2 of sales of the products required for the  
3 privilege of manufacturing or producing in the  
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, and the  
7 value or gross proceeds of sales of the products,  
8 thus subjected to tax, may be deducted insofar as  
9 duplicated as to the same products by the measure  
10 of the tax upon the manufacturer or producer for  
11 the privilege of manufacturing or producing in  
12 the State~~[,]~~ under chapter A; 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 shall be required to  
16 pay the tax imposed in this chapter for the  
17 privilege of producing or selling those  
18 products ~~[,]~~ ; and

19 ~~[(E)]~~ (D) A taxpayer selling to a federal cost-plus  
20 contractor may make the election provided for by  
21 paragraph ~~[(3)-(C),]~~ (2)(C), and in that case the  
22 tax shall 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)~~ (2) Tax upon contractors[-]:

18           (A) Upon every person engaging or continuing within  
19           the State in the business of contracting, the tax  
20           shall be equal to four per cent of the gross  
21           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;

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] the  
22 building or structure, or the making,



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

21 [~~(4)~~] (3) Tax upon theaters, amusements, radio broadcasting  
22 stations, etc.



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

13           ~~-(B)~~ ~~The department may require that the person~~  
14                          ~~rendering an amusement at wholesale take from the~~  
15                          ~~licensed seller a certificate, in a form~~  
16                          ~~prescribed by the department, certifying that the~~  
17                          ~~sale is a sale at wholesale, provided that:~~

18                          ~~(i) Any licensed seller who furnishes a~~  
19   ~~certificate shall be obligated to pay to the~~  
20   ~~person rendering the amusement, upon demand,~~  
21   ~~the amount of additional tax that is imposed~~



1                   ~~upon the seller whenever the sale is not at~~  
2                   ~~wholesale; and~~

3                   ~~(ii) The absence of a certificate in itself shall~~  
4                   ~~give rise to the presumption that the sale~~  
5                   ~~is not at wholesale unless the person~~  
6                   ~~rendering the sale is exclusively rendering~~  
7                   ~~the amusement at wholesale.];~~

8           [~~(5)~~] (4) Tax upon sales representatives, etc. Upon every  
9           person classified as a representative or purchasing  
10           agent under section 237-1, engaging or continuing  
11           within the State in the business of performing  
12           services for another, other than as an employee, there  
13           is likewise hereby levied and shall be assessed and  
14           collected a tax equal to four per cent of the  
15           commissions and other compensation attributable to the  
16           services so rendered by the person~~[-]~~, unless taxable  
17           under chapter A or C;

18           [~~(6)~~] (5) Tax on service business~~[-]~~:

19           (A) Upon every person engaging or continuing within  
20           the State in any service business or calling  
21           including professional services not otherwise  
22           specifically taxed under this chapter, chapter A,



1            or chapter C, there is likewise hereby levied and  
2            shall be assessed and collected a tax equal to  
3            four per cent of the gross income of the  
4            business [~~, and in the case of a wholesaler under~~  
5            ~~section 237 4(a) (10), the tax shall be equal to~~  
6            ~~one half of one per cent of the gross income of~~  
7            ~~the business. Notwithstanding the foregoing, a~~  
8            ~~wholesaler under section 237 4(a) (10) shall be~~  
9            ~~subject to section 237 13.3.~~

10           ~~(B) The department may require that the person~~  
11           ~~rendering a service at wholesale take from the~~  
12           ~~licensed seller 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 licensed seller who furnishes a~~  
16           ~~certificate shall be obligated to pay to the~~  
17           ~~person rendering the service, upon demand,~~  
18           ~~the amount of additional tax that is imposed~~  
19           ~~upon the seller whenever the sale is not at~~  
20           ~~wholesale; and~~

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



1           ~~is not at wholesale unless the person~~  
2           ~~rendering the sale is exclusively rendering~~  
3           ~~services at wholesale.];~~

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



1           apportionment factor and formula shall be the  
2           same for all persons providing those services in  
3           the State~~[-]~~;

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



1 course of business by the home service provider  
2 in accordance with section 239-24, shall be  
3 apportioned under any apportionment factor or  
4 formula adopted under subparagraph [~~(C)~~] (B).

5 Gross income shall not include:

6 (i) Gross receipts from mobile  
7 telecommunications services provided to a  
8 customer with a place of primary use outside  
9 this State;

10 (ii) Gross receipts from mobile  
11 telecommunications services that are subject  
12 to the tax imposed by chapter 239;

13 (iii) Gross receipts from mobile  
14 telecommunications services taxed under  
15 section 237-13.8; and

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

20 For the purposes of this paragraph, [~~"charges for~~  
21 ~~mobile telecommunications services",~~] "customer",  
22 "home service provider", "mobile





1 telecommunications services", and "place of  
2 primary use" [~~, and "serving carrier"~~] have the  
3 same meaning as in section [~~239-22.~~] 237-D and  
4 "charges for mobile telecommunications services"  
5 and "serving carrier" have the same meaning as in  
6 section 239-22; and

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

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



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

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



1 specifically exempted[-] or subject to taxation under  
2 chapter A or C."

3 SECTION 14. Section 237-13.8, Hawaii Revised Statutes, is  
4 amended by amending subsection (c) to read as follows:

5 "(c) When a person licensed under this chapter sells  
6 prepaid telephone calling services to a licensed retail  
7 merchant, jobber, or other licensed seller for purposes of  
8 resale, the person shall be taxed as a wholesaler selling  
9 tangible personal property[-] under section A-13. All other  
10 sales of prepaid telephone calling services shall be taxed as  
11 retail sales of tangible personal property."

12 SECTION 15. Section 237-18, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 "§237-18 Further provisions as to application of tax. (a)  
15 Where a coin operated device produces gross income which is  
16 divided between the owner or operator of the device, on the one  
17 hand, and the owner or operator of the premises where the device  
18 is located, on the other hand, the tax imposed by this chapter  
19 shall apply to each [~~such~~] person with respect to the person's  
20 portion of the proceeds, and no more.

21 (b) Where gate receipts or other admissions are divided  
22 between the person furnishing or producing a play, concert,



1 lecture, athletic event, or similar spectacle (including any  
2 motion picture showing) on the one hand, and a promoter  
3 (including any proprietor or other operator of a motion picture  
4 house) offering the spectacle to the public, on the other hand,  
5 the tax imposed by this chapter, if the promoter is subject to  
6 the tax imposed by this chapter, shall apply only to the  
7 promoter measured by the whole of the proceeds, and the promoter  
8 shall be authorized to deduct and withhold from the portion of  
9 the proceeds payable to the person furnishing or producing the  
10 spectacle the amount of the tax payable by the person upon such  
11 portion. No tax shall apply to a promoter with respect to  
12 ~~[such]~~ the portion of the proceeds as is payable to a person  
13 furnishing or producing the spectacle, who is exempted by  
14 section 237-23 from taxation upon ~~[such]~~ the activity.

15 ~~[(c) Where, through the activity of a person taxable under~~  
16 ~~section 237-13(6), a product has been milled, processed, or~~  
17 ~~otherwise manufactured upon the order of another taxpayer who is~~  
18 ~~a manufacturer taxable upon the value of the entire manufactured~~  
19 ~~products, which consists in part of the value of the services~~  
20 ~~taxable under section 237-13(6), so much gross income as is~~  
21 ~~derived from the rendering of the services shall be subjected to~~  
22 ~~tax on the person rendering the services at the rate of one half~~



1 ~~of one per cent, and the value of the entire product shall be~~  
2 ~~included in the measure of the tax imposed on the other taxpayer~~  
3 ~~as elsewhere provided.~~

4 ~~(d) Where, through the activity of a person taxable under~~  
5 ~~section 237-13(6), there have been rendered to a cane planter~~  
6 ~~services consisting in the harvesting or hauling of the cane, or~~  
7 ~~consisting in road maintenance, under a contract between the~~  
8 ~~person rendering the services and the cane planter, covering the~~  
9 ~~services and also the milling of the sugar, the services of~~  
10 ~~harvesting and hauling the cane and road maintenance shall be~~  
11 ~~treated the same as the service of milling the cane, as provided~~  
12 ~~by subsection (c), and the value of the entire product,~~  
13 ~~manufactured or sold for the cane planter under the contract,~~  
14 ~~shall be included in the measure of the tax imposed on the~~  
15 ~~person as elsewhere provided.~~

16 ~~(e)] (c) Where [insurance agents, including general~~  
17 ~~agents, subagents, or solicitors, who are not employees and are~~  
18 ~~licensed pursuant to chapter 431, or] real estate brokers or~~  
19 ~~salespersons, who are not employees and are licensed pursuant to~~  
20 ~~chapter 467, produce commissions [which] that are divided~~  
21 ~~between [such general agents, subagents, or solicitors, or~~  
22 ~~between such] real estate brokers or salespersons, [as the case~~



1 ~~may be,~~ the tax levied under section [~~237-13(6)~~] 237-13(5) as  
2 to real estate brokers or salespersons [~~, or under section 237-~~  
3 ~~13(7) as to insurance general agents, subagents, or solicitors]~~  
4 shall apply to each [such] person with respect to the person's  
5 portion of the commissions, and no more.

6 [~~f~~] (d) Where tourism related services are furnished  
7 through arrangements made by a travel agency or tour packager  
8 and the gross income is divided between the provider of the  
9 services and the travel agency or tour packager, the tax imposed  
10 by this chapter shall apply to each [such] person with respect  
11 to [such] the person's respective portion of the proceeds, and  
12 no more.

13 As used in this subsection, "tourism related services"  
14 means catamaran cruises, canoe rides, dinner cruises, lei  
15 greetings, transportation included in a tour package,  
16 sightseeing tours not subject to chapter 239, admissions to  
17 luaus, dinner shows, extravaganzas, cultural and educational  
18 facilities, and other services rendered directly to the customer  
19 or tourist, but only if the providers of the services other than  
20 air transportation are subject to a four per cent tax under this  
21 chapter or chapter 239.



1           ~~(g)~~ (e) Where transient accommodations are furnished  
2 through arrangements made by a travel agency or tour packager at  
3 noncommissioned negotiated contract rates and the gross income  
4 is divided between the operator of transient accommodations on  
5 the one hand and the travel agency or tour packager on the other  
6 hand, the tax imposed by this chapter shall apply to each ~~[such]~~  
7 person with respect to ~~[such]~~ the person's respective portion of  
8 the proceeds, and no more.

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

12           ~~(h)~~ (f) Where the transportation of passengers or  
13 property is furnished through arrangements between motor  
14 carriers, and the gross income is divided between the motor  
15 carriers, any tax imposed by this chapter shall apply to each  
16 motor carrier with respect to each motor carrier's respective  
17 portion of the proceeds.

18           As used in this subsection:

19           "Carrier" means a person who engages in transportation, and  
20 does not include a person such as a freight forwarder or tour  
21 packager who provides transportation by contracting with others,



1 except to the extent that [~~such~~] the person [~~oneself~~] engages in  
2 transportation.

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

7 "Motor carrier" means a common carrier or contract carrier  
8 transporting persons or property for compensation on the public  
9 highways, other than a public utility as defined under section  
10 239-2 or taxicab.

11 "Public highways" has the meaning defined by section 264-1  
12 including both state and county highways, but operation upon  
13 rails shall not be deemed transportation on the public  
14 highways."

15 SECTION 16. Section 237-21, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 "§237-21 Apportionment. If any person[~~, other than~~  
18 ~~persons liable to the tax on manufacturers as provided by~~  
19 ~~section 237-13(1),]~~ is engaged in business both within and  
20 without the State or in selling goods for delivery outside the  
21 State, and if under the Constitution or laws of the United  
22 States or section 237-29.5 the entire gross income of [~~such~~] the





1 person cannot be included in the measure of this tax, there  
2 shall be apportioned to the State and included in the measure of  
3 the tax that portion of the gross income [~~which~~] that is derived  
4 from activities within the State, to the extent that the  
5 apportionment is required by the Constitution or laws of the  
6 United States or section 237-29.5. [~~In the case of a tax upon~~  
7 ~~the production of property in the State the apportionment shall~~  
8 ~~be determined as in the case of the tax on manufacturers.] In  
9 other cases, if and to the extent that the apportionment cannot  
10 be accurately made by separate accounting methods, there shall  
11 be apportioned to the State and included in the measure of this  
12 tax that proportion of the total gross income, so requiring  
13 apportionment, which the cost of doing business within the  
14 State, applicable to the gross income, bears to the cost of  
15 doing business both within and without the State, applicable to  
16 the gross income."~~

17 SECTION 17. Section 237-24, Hawaii Revised Statutes, is  
18 amended to read as follows:

19 "§237-24 Amounts not taxable. This chapter shall not  
20 apply to the following amounts:

21 (1) Amounts received under life insurance policies and  
22 contracts paid by reason of the death of the insured;



- 1 (2) Amounts received (other than amounts paid by reason of  
2 death of the insured) under life insurance, endowment,  
3 or annuity contracts, either during the term or at  
4 maturity or upon surrender of the contract;
- 5 (3) Amounts received under any accident insurance or  
6 health insurance policy or contract or under workers'  
7 compensation acts or employers' liability acts, as  
8 compensation for personal injuries, death, or  
9 sickness, including also the amount of any damages or  
10 other compensation received, whether as a result of  
11 action or by private agreement between the parties on  
12 account of the personal injuries, death, or sickness;
- 13 (4) The value of all property of every kind and sort  
14 acquired by gift, bequest, or devise, and the value of  
15 all property acquired by descent or inheritance;
- 16 (5) Amounts received by any person as compensatory damages  
17 for any tort injury to the person, or to the person's  
18 character reputation, or received as compensatory  
19 damages for any tort injury to or destruction of  
20 property, whether as the result of action or by  
21 private agreement between the parties (provided that  
22 amounts received as punitive damages for tort injury



- 1 or breach of contract injury shall be included in  
2 gross income);
- 3 (6) Amounts received as salaries or wages for services  
4 rendered by an employee to an employer;
- 5 (7) Amounts received as alimony and other similar payments  
6 and settlements;
- 7 (8) Amounts collected by distributors as fuel taxes on  
8 "liquid fuel" imposed by chapter 243, and the amounts  
9 collected by such distributors as a fuel tax imposed  
10 by any Act of the Congress of the United States;
- 11 (9) Taxes on liquor imposed by chapter 244D on dealers  
12 holding permits under that chapter;
- 13 ~~[-(10)- The amounts of taxes on cigarettes and tobacco~~  
14 ~~products imposed by chapter 245 on wholesalers or~~  
15 ~~dealers holding licenses under that chapter and~~  
16 ~~selling the products at wholesale;~~
- 17 ~~[-(11)-]~~ (10) Federal excise taxes imposed on articles sold at  
18 retail and collected from the purchasers thereof and  
19 paid to the federal government by the retailer;
- 20 ~~[-(12)- The amounts of federal taxes under chapter 37 of the~~  
21 ~~Internal Revenue Code, or similar federal taxes,~~



1 ~~imposed on sugar manufactured in the State, paid by~~  
2 ~~the manufacturer to the federal government;~~

3 ~~(13) An amount up to, but not in excess of, \$2,000 a year~~  
4 ~~of gross income]~~

5 (11) Amounts received by any blind, deaf, or totally  
6 disabled person engaging, or continuing, in any  
7 business, trade, activity, occupation, or calling  
8 within the State; a corporation all of whose  
9 outstanding shares are owned by an individual or  
10 individuals who are blind, deaf, or totally disabled;  
11 a general, limited, or limited liability partnership,  
12 all of whose partners are blind, deaf, or totally  
13 disabled; or a limited liability company, all of whose  
14 members are blind, deaf, or totally disabled;

15 ~~[(14) Amounts received by a producer of sugarcane from the~~  
16 ~~manufacturer to whom the producer sells the sugarcane,~~  
17 ~~where:~~

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



1 ~~(B) The value or gross proceeds of the sale of the~~  
2 ~~sugar, and other products manufactured from the~~  
3 ~~sugarcane, are included in the measure of the tax~~  
4 ~~levied on the manufacturer under section 237-~~  
5 ~~13(1) or (2);~~

6 ~~(C) The producer's gross proceeds of sales are~~  
7 ~~dependent upon the actual value of the products~~  
8 ~~manufactured therefrom or the average value of~~  
9 ~~all similar products manufactured by the~~  
10 ~~manufacturer, and~~

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

14 ~~(15)]~~ (12) Money paid by the State or eleemosynary child-  
15 placing organizations to foster parents for their care  
16 of children in foster homes;

17 ~~(16)]~~ (13) Amounts received by a cooperative housing  
18 corporation from its shareholders in reimbursement of  
19 funds paid by the corporation for lease rental, real  
20 property taxes, and other expenses of operating and  
21 maintaining the cooperative land and improvements;



1 provided that the cooperative corporation is a  
2 corporation:

3 (A) Having one and only one class of stock  
4 outstanding;

5 (B) Each of the stockholders of which is entitled  
6 solely by reason of the stockholder's ownership  
7 of stock in the corporation, to occupy for  
8 dwelling purposes a house, or an apartment in a  
9 building owned or leased by the corporation; and

10 (C) No stockholder of which is entitled (either  
11 conditionally or unconditionally) to receive any  
12 distribution not out of earnings and profits of  
13 the corporation except in a complete or partial  
14 liquidation of the corporation; and

15 [~~17~~] (14) Amounts received by a managed care support  
16 contractor of the TRICARE program that is established  
17 under Title 10 United States Code chapter 55, as  
18 amended, for the actual cost or advancement to third  
19 party health care providers pursuant to a contract  
20 with the United States."

21 SECTION 18. Section 237-24.3, Hawaii Revised Statutes, is  
22 amended to read as follows:



1           "§237-24.3 Additional amounts not taxable. In addition to  
2 the amounts not taxable under section 237-24, this chapter shall  
3 not apply to:

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

13           (2) Amounts received from sales of:  
14           (A) Intoxicating liquor as the term "liquor" is  
15 defined in chapter 244D;  
16           (B) Cigarettes and tobacco products as defined in  
17 chapter 245; and  
18           (C) Agricultural, meat, or fish products;  
19 to any person or common carrier in interstate or  
20 foreign commerce, or both, whether ocean-going or air,  
21 for consumption out-of-state on the shipper's vessels  
22 or airplanes;



1 (3) Amounts received by the manager, submanager, or board  
2 of directors of:

3 (A) An association of owners of a condominium  
4 property regime established in accordance with  
5 chapter 514A or 514B; or

6 (B) A nonprofit homeowners or community association  
7 incorporated in accordance with chapter 414D or  
8 any predecessor thereto and existing pursuant to  
9 covenants running with the land,  
10 in reimbursement of sums paid for common expenses;

11 (4) Amounts received or accrued from:

12 (A) The loading or unloading of cargo from ships,  
13 barges, vessels, or aircraft, whether or not the  
14 ships, barges, vessels, or aircraft travel  
15 between the State and other states or countries  
16 or between the islands of the State;

17 (B) Tugboat services including pilotage fees  
18 performed within the State, and the towage of  
19 ships, barges, or vessels in and out of state  
20 harbors, or from one pier to another; and

21 (C) The transportation of pilots or governmental  
22 officials to ships, barges, or vessels offshore;





1 rigging gear; checking freight and similar  
2 services; standby charges; and use of moorings  
3 and running mooring lines;

- 4 (5) Amounts received by an employee benefit plan by way of  
5 contributions, dividends, interest, and other income;  
6 and amounts received by a nonprofit organization or  
7 office, as payments for costs and expenses incurred  
8 for the administration of an employee benefit plan;  
9 provided that this exemption shall not apply to any  
10 gross rental income or gross rental proceeds received  
11 after June 30, 1994, as income from investments in  
12 real property in this State; and provided further that  
13 gross rental income or gross rental proceeds from  
14 investments in real property received by an employee  
15 benefit plan after June 30, 1994, under written  
16 contracts executed prior to July 1, 1994, shall not be  
17 taxed until the contracts are renegotiated, renewed,  
18 or extended, or until after December 31, 1998,  
19 whichever is earlier. For the purposes of this  
20 paragraph, "employee benefit plan" means any plan as  
21 defined in section 1002(3) of title 29 of the United  
22 States Code, as amended;



1 (6) Amounts received for purchases made with United States  
2 Department of Agriculture food coupons under the  
3 federal food stamp program, and amounts received for  
4 purchases made with United States Department of  
5 Agriculture food vouchers under the Special  
6 Supplemental Foods Program for Women, Infants and  
7 Children;

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

16 "Prescription drugs" are those drugs defined  
17 under section 328-1 and dispensed by filling or  
18 refilling a written or oral prescription by a  
19 practitioner licensed under law to administer the drug  
20 and sold by a licensed pharmacist under section 328-16  
21 or practitioners licensed to administer drugs; and



1           "Prosthetic device" means ~~[any artificial device~~  
2           ~~or appliance, instrument, apparatus, or contrivance,~~  
3           ~~including their components, parts, accessories, and~~  
4           ~~replacements thereof, used to replace a missing or~~  
5           ~~surgically removed part of the human body, which is~~  
6           ~~prescribed by a licensed practitioner of medicine,~~  
7           ~~osteopathy, or podiatry and which is sold by the~~  
8           ~~practitioner or which is dispensed and sold by a~~  
9           ~~dealer of prosthetic devices; provided that~~  
10           ~~"prosthetic device" shall not mean any auditory,~~  
11           ~~ophthalmic, dental, or ocular device or appliance,~~  
12           ~~instrument, apparatus, or contrivance,]~~ a replacement,  
13           corrective, or supportive device including repair and  
14           replacement parts for the device, worn on or in the  
15           body to:

- 16           (A) Artificially replace a missing portion of the  
17           body;  
18           (B) Prevent or correct physical deformity or  
19           malfunction; or  
20           (C) Support a weak or deformed portion of the body.



1           A prosthetic device does not include corrective  
2           eyeglasses, contact lenses, hearing aids, and dental  
3           prosthesis;

4           (8) Taxes on transient accommodations imposed by chapter  
5           237D and passed on and collected by operators holding  
6           certificates of registration under that chapter;

7           (9) Amounts received as dues by an unincorporated  
8           merchants association from its membership for  
9           advertising media, promotional, and advertising costs  
10          for the promotion of the association for the benefit  
11          of its members as a whole and not for the benefit of  
12          an individual member or group of members less than the  
13          entire membership;

14          (10) Amounts received by a labor organization for real  
15          property leased to:

16           (A) A labor organization; or

17           (B) A trust fund established by a labor organization  
18           for the benefit of its members, families, and  
19           dependents for medical or hospital care, pensions  
20           on retirement or death of employees,  
21           apprenticeship and training, and other membership  
22           service programs.



1 As used in this paragraph, "labor organization" means  
2 a labor organization exempt from federal income tax  
3 under section 501(c)(5) (with respect to exemption  
4 from tax on corporations, certain trusts, etc.) of the  
5 Internal Revenue Code [~~7~~—as amended];

6 (11) Amounts received from foreign diplomats and consular  
7 officials who are holding cards issued or authorized  
8 by the United States Department of State granting them  
9 an exemption from state taxes; and

10 (12) Amounts received as rent for the rental or leasing of  
11 aircraft or aircraft engines used by the lessees or  
12 renters for interstate air transportation of  
13 passengers and goods. For purposes of this paragraph,  
14 payments made pursuant to a lease shall be considered  
15 rent regardless of whether the lease is an operating  
16 lease or a financing lease. The definition of  
17 "interstate air transportation" is the same as in 49  
18 U.S.C. 40102."

19 SECTION 19. Section 237-31, Hawaii Revised Statutes, is  
20 amended to read as follows:

21 "§237-31 Remittances. All remittances of taxes imposed by  
22 this chapter shall be made by money, bank draft, check,



1 cashier's check, money order, or certificate of deposit to the  
2 office of the department of taxation to which the return was  
3 transmitted. The department shall issue its receipts therefor  
4 to the taxpayer and shall pay the moneys into the state treasury  
5 as a state realization, to be kept and accounted for as provided  
6 by law; provided that:

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

16 (2) A sum, not to exceed \$5,000,000, from all general  
17 excise tax revenues realized by the State shall be  
18 deposited in the state treasury in each fiscal year to  
19 the credit of the compound interest bond reserve  
20 fund[-]; and



1           (3) All tax revenues realized by the State under chapters  
2           A, B, and C, respectively, shall be deposited in the  
3           state treasury."

4           SECTION 20. Section 237-34, Hawaii Revised Statutes, is  
5 amended by amending subsection (b) to read as follows:

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

22           (1) Trustees;



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

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

7 SECTION 21. 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(e) 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 22. 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 23. 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 of \_\_\_\_\_ per cent of  
16           the value of property taxable under this chapter. All  
17           provisions of this chapter shall apply to the county surcharge  
18           on state tax. No county shall conduct an independent audit of  
19           sellers registered under the streamlined sales and use tax  
20           agreement. With respect to the surcharge, the director shall  
21           have all the rights and powers provided under this chapter. In  
22           addition, the director of taxation shall have the exclusive



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

8 SECTION 24. Section 237-4, Hawaii Revised Statutes, is  
9 repealed.

10 ~~["§237-4 "Wholesaler", "jobber", defined. (a)~~  
11 ~~"Wholesaler" or "jobber" applies only to a person making sales~~  
12 ~~at wholesale. Only the following are sales at wholesale:~~

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



1 ~~perceptible to the senses, which finished or saleable~~  
2 ~~product is to be sold and not otherwise used by the~~  
3 ~~manufacturer;~~

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

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

20 ~~(5) Sales to a licensed producer, or to a cooperative~~  
21 ~~association described in section 237-23(a)(7) for sale~~  
22 ~~to a licensed producer, or to a licensed person~~



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

4 ~~(A) Tangible personal property is sold upon the order~~  
5 ~~or request of a licensed seller for the purpose~~  
6 ~~of rendering a service in the course of the~~  
7 ~~person's service business or calling, or upon the~~  
8 ~~order or request of a person subject to tax under~~  
9 ~~section 237D-2 for the purpose of furnishing~~  
10 ~~transient accommodations;~~

11 ~~(B) The tangible personal property becomes or is used~~  
12 ~~as an identifiable element of the service~~  
13 ~~rendered; and~~

14 ~~(C) The cost of the tangible personal property does~~  
15 ~~not constitute overhead to the licensed seller;~~  
16 ~~the sale shall be subject to section 237-13.3;~~

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

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



1           ~~(A) Either:~~

2                   ~~(i) In the context of a service to service~~  
3                   ~~transaction, a service is rendered upon the~~  
4                   ~~order or request of a licensed seller for~~  
5                   ~~the purpose of rendering another service in~~  
6                   ~~the course of the seller's service business~~  
7                   ~~or calling, including a dealer's furnishing~~  
8                   ~~of goods or services to the purchaser of~~  
9                   ~~tangible personal property to fulfill a~~  
10                   ~~warranty obligation of the manufacturer of~~  
11                   ~~the property;~~

12                   ~~(ii) In the context of a service to tangible~~  
13                   ~~personal property transaction, a service is~~  
14                   ~~rendered upon the order or request of a~~  
15                   ~~licensed seller for the purpose of~~  
16                   ~~manufacturing, producing, or preparing~~  
17                   ~~tangible personal property to be sold;~~

18                   ~~(iii) In the context of a services to contracting~~  
19                   ~~transaction, a service is rendered upon the~~  
20                   ~~order or request of a licensed contractor as~~  
21                   ~~defined in section 237-6 for the purpose of~~  
22                   ~~assisting that licensed contractor; or~~



1           ~~(iv) In the context of a services to transient~~  
2           ~~accommodations rental transaction, a service~~  
3           ~~is rendered upon the order or request of a~~  
4           ~~person subject to tax under section 237D-2~~  
5           ~~for the purpose of furnishing transient~~  
6           ~~accommodations;~~

7           ~~(B) The benefit of the service passes to the customer~~  
8           ~~of the licensed seller, licensed contractor, or~~  
9           ~~person furnishing transient accommodations as an~~  
10          ~~identifiable element of the other service or~~  
11          ~~property to be sold, the contracting, or the~~  
12          ~~furnishing of transient accommodations;~~

13          ~~(C) The cost of the service does not constitute~~  
14          ~~overhead to the licensed seller, licensed~~  
15          ~~contractor, or person furnishing transient~~  
16          ~~accommodations;~~

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





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

4           ~~(F) The resale of the service, tangible personal~~  
5           ~~property, contracting, or transient~~  
6           ~~accommodations is subject to the tax imposed~~  
7           ~~under this chapter at the highest tax rate.~~

8           ~~Sales subject to this paragraph shall be subject to~~  
9           ~~section 237-13.3;~~

10          ~~(11) Sales to a licensed retail merchant, jobber, or other~~  
11          ~~licensed seller of bulk condiments or prepackaged~~  
12          ~~single-serving packets of condiments that are provided~~  
13          ~~to customers by the licensed retail merchant, jobber,~~  
14          ~~or other licensed seller;~~

15          ~~(12) Sales to a licensed retail merchant, jobber, or other~~  
16          ~~licensed seller of tangible personal property that~~  
17          ~~will be incorporated or processed by the licensed~~  
18          ~~retail merchant, jobber, or other licensed seller into~~  
19          ~~a finished or saleable product during the course of~~  
20          ~~its preparation for market (including disposable,~~  
21          ~~nonreturnable containers, packages, or wrappers, in~~  
22          ~~which the product is contained and that are generally~~



1 ~~known and most commonly used to contain food or~~  
2 ~~beverage for transfer or delivery), and which finished~~  
3 ~~or saleable product is to be sold and not otherwise~~  
4 ~~used by the licensed retail merchant, jobber, or other~~  
5 ~~licensed seller;~~

6 ~~(13) Sales of amusements subject to taxation under section~~  
7 ~~237-13(4) to a licensed seller engaging in a business~~  
8 ~~or calling whenever:~~

9 ~~(A) Either:~~

10 ~~(i) In the context of an amusement to service~~  
11 ~~transaction, an amusement is rendered upon~~  
12 ~~the order or request of a licensed seller~~  
13 ~~for the purpose of rendering another service~~  
14 ~~in the course of the seller's service~~  
15 ~~business or calling;~~

16 ~~(ii) In the context of an amusement to tangible~~  
17 ~~personal property transaction, an amusement~~  
18 ~~is rendered upon the order or request of a~~  
19 ~~licensed seller for the purpose of selling~~  
20 ~~tangible personal property; or~~

21 ~~(iii) In the context of an amusement to amusement~~  
22 ~~transaction, an amusement is rendered upon~~



1 ~~the order or request of a licensed seller~~  
2 ~~for the purpose of rendering another~~  
3 ~~amusement in the course of the person's~~  
4 ~~amusement business;~~

5 ~~(B) The benefit of the amusement passes to the~~  
6 ~~customer of the licensed seller as an~~  
7 ~~identifiable element of the other service,~~  
8 ~~tangible personal property to be sold, or~~  
9 ~~amusement;~~

10 ~~(C) The cost of the amusement does not constitute~~  
11 ~~overhead to the licensed seller;~~

12 ~~(D) The gross income of the licensed seller is not~~  
13 ~~divided between the licensed seller and another~~  
14 ~~licensed seller, person furnishing transient~~  
15 ~~accommodations, or person rendering an amusement~~  
16 ~~for imposition of the tax under chapter 237;~~

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

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



1 ~~As used in this paragraph, "amusement" means~~  
2 ~~entertainment provided as part of a show for which~~  
3 ~~there is an admission charge. Sales subject to this~~  
4 ~~paragraph shall be subject to section 237-13.3; and~~  
5 ~~(14) Sales by a printer to a publisher of magazines or~~  
6 ~~similar printed materials containing advertisements,~~  
7 ~~when the publisher is under contract with the~~  
8 ~~advertisers to distribute a minimum number of~~  
9 ~~magazines or similar printed materials to the public~~  
10 ~~or defined segment of the public, whether or not there~~  
11 ~~is a charge to the persons who actually receive the~~  
12 ~~magazines or similar printed materials.~~

13 ~~(b) If the use tax law is finally held by a court of~~  
14 ~~competent jurisdiction to be unconstitutional or invalid insofar~~  
15 ~~as it purports to tax the use or consumption of tangible~~  
16 ~~personal property imported into the State in interstate or~~  
17 ~~foreign commerce or both, wholesalers and jobbers shall be taxed~~  
18 ~~thereafter under this chapter in accordance with the following~~  
19 ~~definition (which shall supersede the preceding paragraph~~  
20 ~~otherwise defining "wholesaler" or "jobber"): "Wholesaler" or~~  
21 ~~"jobber" means a person, or a definitely organized division~~  
22 ~~thereof, definitely organized to render and rendering a general~~



1 ~~distribution service that buys and maintains at the person's~~  
2 ~~place of business a stock or lines of merchandise that the~~  
3 ~~person distributes, and that the person, through salespersons,~~  
4 ~~advertising, or sales promotion devices, sells to licensed~~  
5 ~~retailers, to institutional or licensed commercial or industrial~~  
6 ~~users, in wholesale quantities and at wholesale rates. A~~  
7 ~~corporation deemed not to be carrying on a trade or business in~~  
8 ~~this State under section 235-6 shall nevertheless be deemed to~~  
9 ~~be a wholesaler and shall be subject to the tax imposed by this~~  
10 ~~chapter." ]~~

11 SECTION 25. Section 237-5, Hawaii Revised Statutes, is  
12 repealed.

13 [~~§237-5 "Producer" defined. "Producer" means any person~~  
14 ~~engaged in the business of raising and producing agricultural~~  
15 ~~products in their natural state, or in producing natural~~  
16 ~~resource products, or engaged in the business of fishing or~~  
17 ~~aquaculture, for sale, or for shipment or transportation out of~~  
18 ~~the State, of the agricultural or aquaculture products in their~~  
19 ~~natural or processed state, or butchered and dressed, or the~~  
20 ~~natural resource products, or fish.~~

21 As used in this section "agricultural products" include  
22 floricultural, horticultural, viticultural, forestry, nut,



1 coffee, dairy, livestock, poultry, bee, animal, and any other  
2 farm, agronomic, or plantation products."]

3 SECTION 26. Section 237-13.3, Hawaii Revised Statutes, is  
4 repealed.

5 [~~§237-13.3 Application of sections 237-4(a)(8), 237-~~  
6 ~~4(a)(10), 237-4(a)(13), 237-13(2)(A), 237-13(4)(A), and 237-~~  
7 ~~13(6)(A). (a) Sections 237-4(a)(8), 237-4(a)(10), 237-~~  
8 ~~4(a)(13), 237-13(2)(A), 237-13(4)(A), and 237-13(6)(A) to the~~  
9 ~~contrary notwithstanding, instead of the tax levied under~~  
10 ~~section 237-13(2)(A) on wholesale sales subject to section 237-~~  
11 ~~4(a)(8)(B), under section 237-13(4)(A) on a wholesaler subject~~  
12 ~~to section 237-4(a)(13), and under section 237-13(6)(A) on a~~  
13 ~~wholesaler subject to section 237-4(a)(10) at one half of one~~  
14 ~~per cent, during the period January 1, 2000, to December 31,~~  
15 ~~2005, the tax shall be as follows:~~

- 16 (1) ~~In calendar year 2000, 3.5 per cent;~~  
17 (2) ~~In calendar year 2001, 3.0 per cent;~~  
18 (3) ~~In calendar year 2002, 2.5 per cent;~~  
19 (4) ~~In calendar year 2003, 2.0 per cent;~~  
20 (5) ~~In calendar year 2004, 1.5 per cent;~~  
21 (6) ~~In calendar year 2005, 1.0 per cent; and~~



1       ~~(7) In calendar year 2006 and thereafter, the tax shall be~~  
2             ~~0.5 per cent.~~

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

8       SECTION 27. Section 237-13.5, Hawaii Revised Statutes, is  
9 repealed.

10       ~~["§237-13.5 Assessment on generated electricity. Any~~  
11 ~~other provision of the law to the contrary notwithstanding, the~~  
12 ~~levy and assessment of the general excise tax on the gross~~  
13 ~~proceeds from the sale of electric power to a public utility~~  
14 ~~company for resale to the public, shall be made only as a tax on~~  
15 ~~the business of a producer, at the rate assessed producers,~~  
16 ~~under section 237-13(2)(A)."]~~

17       SECTION 28. Section 237-15, Hawaii Revised Statutes, is  
18 repealed.

19       ~~["§237-15 Technicians. When technicians supply dentists~~  
20 ~~or physicians with dentures, orthodontic devices, braces, and~~  
21 ~~similar items which have been prepared by the technician in~~  
22 ~~accordance with specifications furnished by the dentist or~~



1 ~~physician, and such items are to be used by the dentist or~~  
2 ~~physician in the dentist's or physician's professional practice~~  
3 ~~for a particular patient who is to pay the dentist or physician~~  
4 ~~for the same as a part of the dentist's or physician's~~  
5 ~~professional services, the technician shall be taxed as though~~  
6 ~~the technician were a manufacturer selling a product to a~~  
7 ~~licensed retailer, rather than at the rate of four per cent~~  
8 ~~which is generally applied to professions and services." ]~~

9 SECTION 29. Section 237-17, Hawaii Revised Statutes, is  
10 repealed.

11 [~~§237-17 Persons with impaired sight, hearing, or who are~~  
12 ~~totally disabled. Anything in section 237-13 to the contrary~~  
13 ~~notwithstanding, the privilege tax levied, assessed, and~~  
14 ~~collected on account of the business or other activities of~~  
15 ~~individuals who are blind, deaf, or totally disabled,~~  
16 ~~corporations all of whose outstanding shares are owned by~~  
17 ~~individuals who are blind, deaf, or totally disabled, general,~~  
18 ~~limited, or limited liability partnerships, all of whose~~  
19 ~~partners are blind, deaf, or totally disabled, or limited~~  
20 ~~liability companies, all of whose members are blind, deaf, or~~  
21 ~~totally disabled, shall not exceed one half of one per cent of~~  
22 ~~the proceeds, sales, income, or other receipts subject to tax.~~





1 ~~For the purpose of this chapter "blind", "deaf", or "totally~~  
2 ~~disabled" is defined as in section 235-1. The impairment of~~  
3 ~~sight or hearing, or the disability, shall be certified to as~~  
4 ~~provided in section 235-1." ]~~

5 SECTION 30. Section 237-29.55, Hawaii Revised Statutes, is  
6 repealed.

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

15 (b) ~~The department, by rule, may provide that a seller may~~  
16 ~~take from the purchaser of imported tangible personal property,~~  
17 ~~a certificate, in a form that the department shall prescribe,~~  
18 ~~certifying that the purchaser of the imported tangible personal~~  
19 ~~property shall resell the imported tangible personal property at~~  
20 ~~wholesale as defined under section 237-4. Any purchaser who~~  
21 ~~furnishes a certificate shall be obligated to pay to the seller,~~  
22 ~~upon demand, if the sale in fact is not a sale for the purpose~~



1 ~~of resale at wholesale, the amount of the additional tax which~~  
2 ~~by reason thereof is imposed upon the seller. The absence of a~~  
3 ~~certificate, unless the sales of the business are exclusively a~~  
4 ~~sale for the purpose of resale at wholesale, in itself, shall~~  
5 ~~give rise to the presumption that the sale is not a sale for the~~  
6 ~~purpose of resale at wholesale."]~~

7 SECTION 31. Section 238-4, Hawaii Revised Statutes, is  
8 repealed.

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



1 SECTION 32. (a) There is created a committee to oversee  
2 the department of taxation's implementation and administration  
3 of, and compliance with the streamlined sales and use tax  
4 agreement. The committee shall be administratively attached to  
5 the department of taxation. Members of the committee shall be  
6 reimbursed by their appointing body for expenses, including  
7 travel expenses.

8 (b) The president of the senate and the speaker of the  
9 house of representatives shall appoint three members each, which  
10 shall comprise a committee, the purpose of which is to hold  
11 meetings necessary to carry out this Act and to serve as part of  
12 the State's official delegation to the Streamlined Sales Tax  
13 Governing Board when establishing the State's criteria for  
14 compliance with the streamlined sales and use tax agreement.  
15 The director of taxation, or a representative thereof, shall be  
16 an ex officio member. The members of the committee may elect a  
17 chair or co-chairs. Duties of the appointees shall include  
18 attending meetings of the governing board, technical reviews of  
19 Hawaii legislation and state tax operations, and working with  
20 the department of taxation to ensure that all appropriate steps  
21 are taken in order to have Hawaii certified as a state in full  
22 compliance with the streamlined sales and use tax agreement.



1 (c) The department of taxation may seek technical  
2 assistance that includes analysis of the fiscal and legal  
3 impacts of proposed conformance with the existing general excise  
4 tax law and other laws and any other issues that might result  
5 from the implementation of a streamlined sales and use tax under  
6 the streamlined sales and use tax agreement, as well as for the  
7 preparation of proposed legislation by contracting with legal  
8 professionals that have a background and practice in taxation.

9 (d) The department of taxation shall secure the services  
10 necessary to support the project in as expeditious a manner as  
11 possible. The legislative reference bureau shall assist the  
12 department of taxation or contractor in drafting any appropriate  
13 legislation.

14 (e) In an effort to ensure that the State's application  
15 for certification with the Streamlined Sales Tax Governing Board  
16 is completed in as swift and seamless a manner as is possible,  
17 the department of taxation shall work cooperatively with the  
18 committee in gaining the committee's concurrence prior to  
19 contracting for services with outside entities, agencies, or  
20 persons for the implementation and administration of, or  
21 compliance with the streamlined sales and use tax agreement.



1 (f) The department of taxation may contract with outside  
2 entities, agencies, or persons for the purpose of collecting the  
3 tax revenues owed by taxpayers pursuant to the streamlined sales  
4 and use tax agreement, as well as delinquent taxes owed by those  
5 taxpayers, in implementing the streamlined sales and use tax  
6 agreement in this State. The outside entities, agencies, or  
7 persons that the department of taxation contracts with to  
8 collect the tax revenues generated from the streamlined sales  
9 and use tax agreement shall be paid from the tax revenues  
10 collected under the streamlined sales and use tax agreement to  
11 ensure that the cost of implementing and administering the  
12 streamlined sales and use tax agreement for the State is  
13 minimal.

14 SECTION 33. In codifying the new chapters and sections  
15 added by this Act to the Hawaii Revised Statutes, the revisor of  
16 statutes shall substitute appropriate numbers for the letters  
17 used in designating the new chapters and sections in this Act.

18 SECTION 34. Statutory material to be repealed is bracketed  
19 and stricken. New statutory material is underscored.

20 SECTION 35. This Act shall take effect on July 1, 2050;  
21 provided that:

22 (1) Section 32 shall take effect on approval;



- 1           (2) The amendments made to section 237-9, Hawaii Revised  
2           Statutes, by this Act shall not be repealed when that  
3           section is reenacted on June 30, 2014, pursuant to  
4           section 13(3), Act 134, Session Laws of Hawaii 2009;
- 5           (3) The amendments made to section 237-24, Hawaii Revised  
6           Statutes, by this Act shall not be repealed when that  
7           section is reenacted on December 31, 2013, pursuant to  
8           section 4, Act 70, Session Laws of Hawaii 2009; and
- 9           (4) The amendments made to section 237-24.3, Hawaii  
10          Revised Statutes, by this Act shall not be repealed  
11          when that section is reenacted on December 31, 2014,  
12          pursuant to section 4, Act 239, Session Laws of Hawaii  
13          2007, as amended by section 5, Act 196, Session Laws  
14          of Hawaii 2009, as amended by section 1, Act 91,  
15          Session Laws of Hawaii 2010.



**Report Title:**

Streamlined Sales and Use Tax Amendments

**Description:**

Adopts amendments to Hawaii tax laws to implement the streamlined sales and use tax agreement; with section 32, creating a committee to oversee the department of taxation's implementation and administration of, and compliance with the streamlined sales and use tax agreement, to take effect on approval. Effective 7/1/2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

