
A BILL FOR AN ACT

RELATING TO TAXATION.

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

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PART I

SECTION 1. The purpose of this Act is to make various amendments to tax laws. Part II establishes an excise tax on direct broadcast satellite service providers. Part III modifies the renewable energy technologies income tax credit by:

(1) Requiring a renewable energy technology system to be placed in service prior to January 1, 2015, to be eligible for the tax credit;

(2) Providing that tax credits claimed during the 2012 taxable year will be paid out beginning July 1, 2013; and

(3) Requiring the department of business, economic development, and tourism to complete an assessment by October 1, 2013, on the efficacy and ongoing need for the tax credit after December 31, 2014.

Part IV repeals the income tax exemption for income derived from stock options or stocks from a qualified high technology business.



1 PART II

2 SECTION 2. The purpose of this part is to establish an
3 excise tax on direct broadcast satellite service providers.

4 SECTION 3. The Hawaii Revised Statutes is amended by
5 adding a new chapter to be appropriately designated and to read
6 as follows:

7 "CHAPTER

8 **DIRECT BROADCAST SATELLITE SERVICE PROVIDERS EXCISE TAX**

9 **§ -1 Definitions.** For the purposes of this chapter:

10 "Department" means the department of taxation.

11 "Direct broadcast satellite service" means the distribution
12 or broadcasting of video programming or services by satellite
13 directly to a subscriber's or paying customer's receiving
14 equipment.

15 "Gross revenue" means revenues derived from supplying
16 regular subscriber direct broadcast satellite service, including
17 installation fees, disconnect and reconnect fees, and fees for
18 regular direct broadcast satellite service benefits. "Gross
19 revenue" shall not include per-program or per-channel charges,
20 leased channel revenues, advertising revenues, and other income
21 not derived from the supplying of regular subscriber direct
22 broadcast satellite service.



1 "Provider" means a provider of direct broadcast satellite
2 service.

3 **§ -2 Imposition of tax.** (a) There is hereby levied and
4 shall be assessed and collected quarterly privilege taxes
5 against providers on account of their business and other
6 activities in the State in the amount of the provider's gross
7 revenue derived from the sale of direct broadcast satellite
8 services, multiplied by four per cent.

9 (b) The tax imposed by subsection (a) shall not apply to
10 internet access services, including services purchased, used, or
11 sold to provide direct broadcast satellite services.

12 **§ -3 Remittance.** The tax imposed by this chapter is due
13 and payable to the department on or before the last day of the
14 first month following the end of each calendar quarter.

15 **§ -4 Report.** (a) A provider subject to the tax imposed
16 by this chapter shall file a quarterly report with the
17 department on a form prescribed by the department. The report
18 shall be due on the date the tax is due under section -3.

19 (b) The report shall include a statement of the gross
20 revenues received from the provision of direct broadcast
21 satellite services and tax due during the preceding quarterly
22 period and any other information required by the department.



1 installing and placing renewable energy technology systems into
2 service in Hawaii. The credit has been successful in
3 encouraging the development of renewable technologies and
4 helping to establish an important new industry in the State's
5 economy.

6 Nonetheless, as with all measures intended to help support
7 a nascent industry to achieve scale and become self-sustaining,
8 the legislature is concerned that the incentive provided by
9 section 235-12.5, Hawaii Revised Statutes, will remain in place
10 after the industries it supports no longer require it for
11 financial viability.

12 To send a clear signal about the State's commitment to
13 these industries and about the State's concern over their
14 longer-term need to be self-sustaining while also addressing
15 challenges facing the State during the current fiscal biennium,
16 this part establishes provisions to evaluate and adjust these
17 tax credits.

18 Accordingly, the purpose of this part is to:

- 19 (1) Require a renewable energy technology system to be
20 placed in service prior to January 1, 2015, to be
21 eligible for the tax credit;



1 (2) Provide that tax credits claimed during the 2012
2 taxable year shall be paid out beginning July 1, 2013;
3 and

4 (3) Conduct an evaluation of the effectiveness and ongoing
5 need for the credit beyond December 31, 2014.

6 SECTION 5. Section 235-12.5, Hawaii Revised Statutes, is
7 amended as follows:

8 1. By amending subsection (a) to read:

9 "(a) When the requirements of subsection (d) are met, each
10 individual or corporate taxpayer that files an individual or
11 corporate net income tax return for a taxable year may claim a
12 tax credit under this section against the Hawaii state
13 individual or corporate net income tax. The tax credit may be
14 claimed for every eligible renewable energy technology system
15 that is installed and placed in service in the State by a
16 taxpayer during the taxable year. The tax credit may be claimed
17 as follows:

18 (1) For each solar energy system: thirty-five per cent of
19 the actual cost or the cap amount determined in
20 subsection (b), whichever is less; or



1 (2) For each wind-powered energy system: twenty per cent
2 of the actual cost or the cap amount determined in
3 subsection (b), whichever is less;
4 provided that refundable credits claimed during the 2012 taxable
5 year shall be paid beginning July 1, 2013; provided further that
6 multiple owners of a single system shall be entitled to a single
7 tax credit; and provided further that the tax credit shall be
8 apportioned between the owners in proportion to their
9 contribution to the cost of the system.

10 In the case of a partnership, S corporation, estate, or
11 trust, the tax credit allowable is for every eligible renewable
12 energy technology system that is installed and placed in service
13 in the State by the entity. The cost upon which the tax credit
14 is computed shall be determined at the entity level.
15 Distribution and share of credit shall be determined pursuant to
16 section 235-110.7(a)."

17 2. By amending subsections (j) and (k) to read:

18 "(j) To the extent feasible, using existing resources [~~to~~
19 ~~assist the energy efficiency policy review and evaluation~~], the
20 department of business, economic development, and tourism shall
21 [~~assist with data collection on the following for each taxable~~
22 ~~year~~;



1 ~~(1) The number of renewable energy technology systems that~~
2 ~~have qualified for a tax credit during the calendar~~
3 ~~year by:~~

4 ~~(A) Technology type; and~~

5 ~~(B) Taxpayer type (corporate and individual); and~~

6 ~~(2) The total cost of the tax credit to the State during~~
7 ~~the taxable year by:~~

8 ~~(A) Technology type; and~~

9 ~~(B) Taxpayer type.]~~

10 complete an assessment, by October 1, 2013, of the impact of the
11 tax credit on the State's energy sector for the period 2003-2013
12 and of the continued need for the tax credit after December 31,
13 2014. In conducting the assessment, the department shall report
14 on:

15 (1) The total number of renewable energy technology
16 systems that were subject to claim for credit under
17 this section by year and technology;

18 (2) The total megawatts generated or offset by renewable
19 energy technology systems that were subject to a claim
20 for credit under this section by year and technology;

21 (3) The total reduction in barrels of oil imported as a
22 result of the deployment of renewable energy



1 SECTION 7. Section 235-9.5, Hawaii Revised Statutes, is
2 repealed.

3 [~~"§235-9.5 Stock options from qualified high technology~~
4 ~~businesses excluded from taxation.~~ (a) ~~Notwithstanding any law~~
5 ~~to the contrary, all income earned and proceeds derived from~~
6 ~~stock options or stock, including stock issued through the~~
7 ~~exercise of stock options or warrants, from a qualified high~~
8 ~~technology business or from a holding company of a qualified~~
9 ~~high technology business by an employee, officer, or director of~~
10 ~~the qualified high technology business, or investor who~~
11 ~~qualifies for the credit under section 235-110.9, that would~~
12 ~~otherwise be taxed as ordinary income or as capital gains to~~
13 ~~those persons shall be excluded from taxation under this~~
14 ~~chapter.~~

15 ~~Similar provisions shall apply to options to acquire equity~~
16 ~~interests and to equity interests themselves with regard to~~
17 ~~entities other than corporations.~~

18 ~~(b) For the purposes of this section:~~

19 ~~"Holding company of a qualified high technology business"~~
20 ~~means any business entity that possesses:~~

21 ~~(1) At least eighty per cent of the total voting power of~~
22 ~~the stock or other interest; and~~



1 SECTION 9. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 10. This Act shall take effect on July 1, 2011;
4 provided that parts III and IV shall apply to taxable years
5 beginning after December 31, 2010.



Report Title:

Taxation; Omnibus

Description:

Establishes an excise tax on direct broadcast satellite service providers. Modifies the renewable energy technologies income tax credit. Repeals the income tax exemption for stocks and stock options from a qualified high technology business. Effective July 1, 2011. (SB756 HD1)

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