
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Section 235-9, Hawaii Revised Statutes, is
2 amended to read as follows:
3 "§235-9 Exemptions; generally. (a) Except as provided in
4 sections 235-61 to 235-67 relating to withholding and collection
5 of tax at source, and section 235-2.4 relating to "unrelated
6 business taxable income", the following persons and
7 organizations shall not be taxable under this chapter: banks,
8 building and loan associations, financial services loan
9 companies, financial corporations, small business investment
10 companies, trust companies, mortgage loan companies, financial
11 holding companies, subsidiaries of financial holding companies
12 as defined in chapter 241, and development companies taxable
13 under chapter 241; insurance companies, agricultural cooperative
14 associations, and fish marketing associations exclusively
15 taxable under other laws; [and] persons engaged in the business
16 of motion picture and television film production as defined by
17 the director of taxation[-]; and new businesses.



1 (b) For the purpose of this section, "new business" means
2 a corporation, partnership, sole proprietorship, or other legal
3 entity that:

4 (1) Is domiciled in this State;

5 (2) Is formed to make a profit;

6 (3) Is independently owned and operated; and

7 (4) Has either:

8 (A) Been in existence for not more than three years
9 and has not been doing business as another
10 corporation, partnership, sole proprietorship, or
11 other legal entity within one year prior to the
12 start of the new legal entity and that has been
13 terminated for the sole purpose of obtaining
14 exemption from the tax under this chapter; or

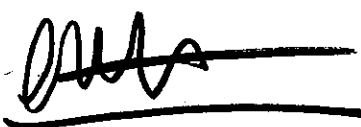
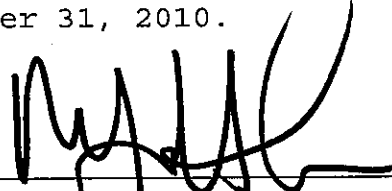
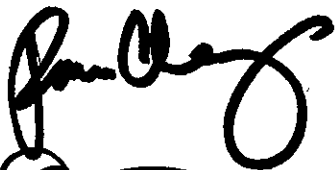

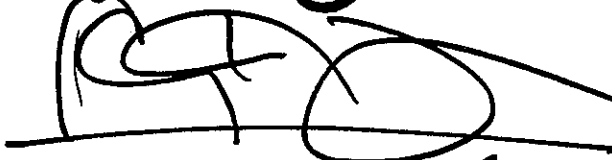

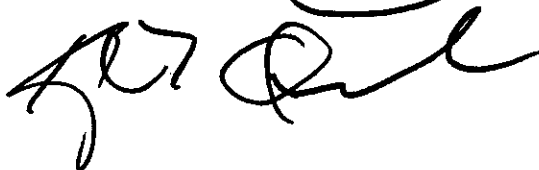
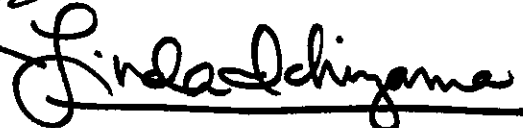

15 (B) Reported annual gross sales in or into this State
16 in any of the first three taxable years of its
17 existence that are not in excess of \$100,000;
18 provided that, regardless of the amount of annual
19 gross sales, beginning in the fourth year of its
20 existence, the legal entity shall not be a new
21 business and shall be subject to the tax under
22 this chapter.



1 (c) The director of taxation may adopt any rules under
2 chapter 91 and forms necessary to carry out this section."

3 SECTION 2. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 3. This Act, upon its approval, shall apply to
6 taxable years beginning after December 31, 2010.

7  INTRODUCED BY: 
 
 
 


JAN 24 2011



Report Title:

Income Tax; Exemption; New Businesses

Description:

Exempts new businesses from income tax. Requires that new businesses claiming the exemption have either: (1) been in existence for less than 3 years, or (2) earned less than \$100,000 in gross sales during any of the first 3 taxable years.

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