

JAN 25 2012

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# A BILL FOR AN ACT

RELATING TO STATE FINANCES.

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

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PART I

SECTION 1. Section 237-13, Hawaii Revised Statutes, is amended to read as follows:

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

(1) Tax on manufacturers.

(A) Upon every person engaging or continuing within the State in the business of manufacturing, including compounding, canning, preserving, packing, printing, publishing, milling, processing, refining, or preparing for sale, profit, or commercial use, either directly or through the activity of others, in whole or in part, any article or articles, substance or



1 substances, commodity or commodities, the amount  
2 of the tax to be equal to the value of the  
3 articles, substances, or commodities,  
4 manufactured, compounded, canned, preserved,  
5 packed, printed, milled, processed, refined, or  
6 prepared for sale, as shown by the gross proceeds  
7 derived from the sale thereof by the manufacturer  
8 or person compounding, preparing, or printing  
9 them, multiplied by one-half of one per cent.

10 (B) The measure of the tax on manufacturers is the  
11 value of the entire product for sale, regardless  
12 of the place of sale or the fact that deliveries  
13 may be made to points outside the State.

14 (C) If any person liable for the tax on manufacturers  
15 ships or transports the person's product, or any  
16 part thereof, out of the State, whether in a  
17 finished or unfinished condition, or sells the  
18 same for delivery to points outside the State  
19 (for example, consigned to a mainland purchaser  
20 via common carrier f.o.b. Honolulu), the value of  
21 the products in the condition or form in which  
22 they exist immediately before entering interstate



1 or foreign commerce, determined as hereinafter  
2 provided, shall be the basis for the assessment  
3 of the tax imposed by this paragraph. This tax  
4 shall be due and payable as of the date of entry  
5 of the products into interstate or foreign  
6 commerce, whether the products are then sold or  
7 not. The department shall determine the basis  
8 for assessment, as provided by this paragraph, as  
9 follows:

10 (i) If the products at the time of their entry  
11 into interstate or foreign commerce already  
12 have been sold, the gross proceeds of sale,  
13 less the transportation expenses, if any,  
14 incurred in realizing the gross proceeds for  
15 transportation from the time of entry of the  
16 products into interstate or foreign  
17 commerce, including insurance and storage in  
18 transit, shall be the measure of the value  
19 of the products;

20 (ii) If the products have not been sold at the  
21 time of their entry into interstate or  
22 foreign commerce, and in cases governed by



1 clause (i) in which the products are sold  
2 under circumstances such that the gross  
3 proceeds of sale are not indicative of the  
4 true value of the products, the value of the  
5 products constituting the basis for  
6 assessment shall correspond as nearly as  
7 possible to the gross proceeds of sales for  
8 delivery outside the State, adjusted as  
9 provided in clause (i), or if sufficient  
10 data are not available, sales in the State,  
11 of similar products of like quality and  
12 character and in similar quantities, made by  
13 the taxpayer (unless not indicative of the  
14 true value) or by others. Sales outside the  
15 State, adjusted as provided in clause (i),  
16 may be considered when they constitute the  
17 best available data. The department shall  
18 prescribe uniform and equitable rules for  
19 ascertaining the values;

20 (iii) At the election of the taxpayer and with the  
21 approval of the department, the taxpayer may  
22 make the taxpayer's returns under clause (i)



1 even though the products have not been sold  
2 at the time of their entry into interstate  
3 or foreign commerce; and

4 (iv) In all cases in which products leave the  
5 State in an unfinished condition, the basis  
6 for assessment shall be adjusted so as to  
7 deduct the portion of the value as is  
8 attributable to the finishing of the goods  
9 outside the State.

10 (2) Tax on business of selling tangible personal property;  
11 producing.

12 (A) Upon every person engaging or continuing in the  
13 business of selling any tangible personal  
14 property whatsoever (not including, however,  
15 bonds or other evidence of indebtedness, or  
16 stocks), there is likewise hereby levied, and  
17 shall be assessed and collected, a tax equivalent  
18 to [~~four~~] five per cent of the gross proceeds of  
19 sales of the business; provided that insofar as  
20 the sale of tangible personal property is a  
21 wholesale sale under section [†]237-4(a)(8)[†],  
22 the sale shall be subject to section 237-13.3.



1           Upon every person engaging or continuing within  
2           this State in the business of a producer, the tax  
3           shall be equal to one-half of one per cent of the  
4           gross proceeds of sales of the business, or the  
5           value of the products, for sale, if sold for  
6           delivery outside the State or shipped or  
7           transported out of the State, and the value of  
8           the products shall be determined in the same  
9           manner as the value of manufactured products  
10          covered in the cases under paragraph (1)(C).

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



1                   proceeds of sales, the gross proceeds shall be so  
2                   attributed.

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

15                  (D) When a manufacturer or producer, engaged in such  
16                  business in the State, also is engaged in selling  
17                  the manufacturer's or producer's products in the  
18                  State at wholesale, retail, or in any other  
19                  manner, the tax for the privilege of engaging in  
20                  the business of selling the products in the State  
21                  shall apply to the manufacturer or producer as  
22                  well as the tax for the privilege of

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





- 1           (E) A taxpayer selling to a federal cost-plus
- 2                   contractor may make the election provided for by
- 3                   paragraph (3)(C), and in that case the tax shall
- 4                   be computed pursuant to the election,
- 5                   notwithstanding this paragraph or paragraph (1)
- 6                   to the contrary.
  
- 7           (F) The department, by rule, may require that a
- 8                   seller take from the purchaser of tangible
- 9                   personal property a certificate, in a form
- 10                  prescribed by the department, certifying that the
- 11                  sale is a sale at wholesale; provided that:
  
- 12                  (i) Any purchaser who furnishes a certificate
- 13                       shall be obligated to pay to the seller,
- 14                       upon demand, the amount of the additional
- 15                       tax that is imposed upon the seller whenever
- 16                       the sale in fact is not at wholesale; and
  
- 17                  (ii) The absence of a certificate in itself shall
- 18                       give rise to the presumption that the sale
- 19                       is not at wholesale unless the sales of the
- 20                       business are exclusively at wholesale.
  
- 21           (3) Tax upon contractors.

1 (A) Upon every person engaging or continuing within  
2 the State in the business of contracting, the tax  
3 shall be equal to [~~four~~] five per cent of the  
4 gross income of the business.

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

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

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

16 (iii) A specialty contractor who is not licensed  
17 by the department of commerce and consumer  
18 affairs pursuant to section 444-9, but who  
19 performs contracting activities on federal  
20 military installations and nowhere else in  
21 this State;



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

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

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

18 (ii) The taxpayer making the sale shall have  
19 certified to the department that the  
20 taxpayer is taxable with respect to the  
21 gross proceeds of the sale, and that the  
22 taxpayer elects to have the tax on gross



1 income computed the same as upon a sale to  
2 the state government.

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



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



1                   under a lease is taxed under section 237-16.5,  
2                   the tax shall be levied by section 237-16.5.

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

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

16          (B) The department may require that the person  
17          rendering an amusement at wholesale take from the  
18          licensed seller a certificate, in a form  
19          prescribed by the department, certifying that the  
20          sale is a sale at wholesale; provided that:

21               (i) Any licensed seller who furnishes a  
22               certificate shall be obligated to pay to the



1 person rendering the amusement, upon demand,  
2 the amount of additional tax that is imposed  
3 upon the seller whenever the sale is not at  
4 wholesale; and

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

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

19 (6) Tax on service business.

20 (A) Upon every person engaging or continuing within  
21 the State in any service business or calling  
22 including professional services not otherwise



1 specifically taxed under this chapter, there is  
2 likewise hereby levied and shall be assessed and  
3 collected a tax equal to [~~four~~] five per cent of  
4 the gross income of the business, and in the case  
5 of a wholesaler under section 237-4(a)(10), the  
6 tax shall be equal to one-half of one per cent of  
7 the gross income of the business.

8 Notwithstanding the foregoing, a wholesaler under  
9 section 237-4(a)(10) shall be subject to section  
10 237-13.3.

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

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





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

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



1 section 237-21; provided that the apportionment  
2 factor and formula shall be the same for all  
3 persons providing those services in the State.

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



1 home service provider in accordance with section  
2 239-24, shall be apportioned under any  
3 apportionment factor or formula adopted under  
4 subparagraph (C). Gross income shall not  
5 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", "place of primary  
2 use", and "serving carrier" have the same meaning  
3 as in section 239-22.

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

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



1 on the producer's return a deduction from the gross  
2 amount taxable hereunder in the sum of the amount so  
3 disbursed. The amounts taxed under this paragraph  
4 shall not be taxable under any other paragraph,  
5 subsection, or section of this chapter.

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

20 SECTION 2. Section 237-15, Hawaii Revised Statutes, is  
21 amended to read as follows:



1           "§237-15 Technicians. When technicians supply dentists or  
2 physicians with dentures, orthodontic devices, braces, and  
3 similar items [~~which~~] that have been prepared by the technician  
4 in accordance with specifications furnished by the dentist or  
5 physician, and [~~such~~] the items are to be used by the dentist or  
6 physician in the dentist's or physician's professional practice  
7 for a particular patient who is to pay the dentist or physician  
8 for the same as a part of the dentist's or physician's  
9 professional services, the technician shall be taxed as though  
10 the technician were a manufacturer selling a product to a  
11 licensed retailer, rather than at the rate of [~~four~~] five per  
12 cent [~~which~~] that is generally applied to professions and  
13 services."

14           SECTION 3. Section 237-16.5, Hawaii Revised Statutes, is  
15 amended by amending subsection (a) to read as follows:

16           "(a) This section relates to the leasing of real property  
17 by a lessor to a lessee. There is hereby levied, and shall be  
18 assessed and collected annually, a privilege tax against persons  
19 engaging or continuing within the State in the business of  
20 leasing real property to another, equal to [~~four~~] five per cent  
21 of the gross proceeds or gross income received or derived from  
22 the leasing; provided that where real property is subleased by a



1 lessee to a sublessee, the lessee, as provided in this section,  
2 shall be allowed a deduction from the amount of gross proceeds  
3 or gross income received from its sublease of the real property.

4 The deduction shall be in the amount allowed under this section.

5 All deductions under this section and the name and general  
6 excise tax number of the lessee's lessor shall be reported on  
7 the general excise tax return. Any deduction allowed under this  
8 section shall only be allowed with respect to leases and  
9 subleases in writing and relating to the same real property."

10 SECTION 4. Section 237-18, Hawaii Revised Statutes, is  
11 amended by amending subsection (f) to read as follows:

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

18 As used in this subsection, "tourism related services"  
19 means catamaran cruises, canoe rides, dinner cruises, lei  
20 greetings, transportation included in a tour package,  
21 sightseeing tours not subject to chapter 239, admissions to  
22 luaus, dinner shows, extravaganzas, cultural and educational



1 facilities, and other services rendered directly to the customer  
2 or tourist, but only if the providers of the services other than  
3 air transportation are subject to a [~~four~~] five per cent tax  
4 under this chapter or chapter 239."

5 SECTION 5. Section 237-31, Hawaii Revised Statutes, is  
6 amended to read as follows:

7 "§237-31 Remittances. (a) All remittances of taxes  
8 imposed by this chapter shall be made by money, bank draft,  
9 check, cashier's check, money order, or certificate of deposit  
10 to the office of the department of taxation to which the return  
11 was transmitted.

12 (b) The department shall issue its receipts therefor to  
13 the taxpayer and shall pay the moneys into the state treasury as  
14 a state realization, to be kept and accounted for as provided by  
15 law; provided that:

16 (1) The sum from all general excise tax revenues realized  
17 by the State that represents the difference between  
18 \$45,000,000 and the proceeds from the sale of any  
19 general obligation bonds authorized for that fiscal  
20 year for the purposes of the state educational  
21 facilities improvement special fund shall be deposited  
22 in the state treasury in each fiscal year to the





1 credit of the state educational facilities improvement  
2 special fund;

3 (2) A sum, not to exceed \$5,000,000, from all general  
4 excise tax revenues realized by the State shall be  
5 deposited in the state treasury in each fiscal year to  
6 the credit of the compound interest bond reserve fund;  
7 and

8 (3) A sum from all general excise tax revenues realized by  
9 the State that is equal to one-half of the total  
10 amount of funds appropriated or transferred out of the  
11 hurricane reserve trust fund under sections 4 and 5 of  
12 Act 62, Session Laws of Hawaii 2011, shall be  
13 deposited into the hurricane reserve trust fund in  
14 fiscal year 2013-2014 and in fiscal year 2014-2015;  
15 provided that the deposit required in each fiscal year  
16 shall be made by October 1 of that fiscal year.

17 (c) Notwithstanding subsection (b), beginning on July 1,  
18 2012, the additional revenues generated and collected from the  
19 increase in general excise tax rates imposed by sections 1, 2,  
20 3, and 4 of Act \_\_\_\_\_, Session Laws of Hawaii 2012, shall be  
21 distributed as follows:



- 1        (1) \$80,000,000 of the revenues shall be deposited into a  
2        special account in the general fund for appropriation  
3        to and expenditure for operations of the department of  
4        education under chapter 302A;
- 5        (2) \$25,000,000 of the revenues shall be deposited into a  
6        special account in the general fund for appropriation  
7        to and expenditure for operations of the University of  
8        Hawaii under chapter 304A;
- 9        (3) \$40,000,000 of the revenues shall be deposited into a  
10       special account in the general fund for appropriation  
11       to and expenditure for operations, including grants-  
12       in-aid, of the department of human services under  
13       chapter 346;
- 14       (4) \$25,000,000 of the revenues shall be deposited into  
15       the Hawaii hurricane relief fund under chapter 431P-2;
- 16       (5) \$20,000,000 of the revenues shall be deposited into  
17       the pension accumulation fund established under  
18       section 88-114; and
- 19       (6) \$10,000,000 of the revenues shall be deposited into  
20       the emergency and budget reserve fund under section  
21       328L-3."



PART II

SECTION 6. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Food tax credit. (a) Each resident individual taxpayer, who files an individual income tax return for a taxable year, and who is not claimed or is not otherwise eligible to be claimed as a dependent by another taxpayer for federal or Hawaii state individual income tax purposes, may claim a food tax credit against the resident taxpayer's individual income tax liability for the taxable year for which the individual income tax return is being filed; provided that a resident individual who has no income or no income taxable under this chapter and who is not claimed or is not otherwise eligible to be claimed as a dependent by a taxpayer for federal or Hawaii state individual income tax purposes may claim this credit.

(b) Each resident individual taxpayer may claim a food tax credit in an amount equal to \$50 multiplied by the number of qualified exemptions to which the taxpayer is entitled; provided that a husband and wife filing separate tax returns for a taxable year for which a joint return could have been filed by



1 them shall claim only the tax credit to which they would have  
2 been entitled had a joint return been filed.

3 (c) For the purposes of this section, a qualified  
4 exemption is defined to include those exemptions permitted under  
5 this chapter; provided that no additional exemption may be  
6 claimed by a taxpayer who is sixty-five years of age or older;  
7 provided that a person for whom exemption is claimed has  
8 physically resided in the State for more than nine months during  
9 the taxable year; and provided further that multiple exemptions  
10 shall not be granted because of deficiencies in vision or  
11 hearing, or other disability. For purposes of claiming this  
12 credit only, a minor child receiving support from the department  
13 of human services of the State, social security survivor's  
14 benefits, and the like, may be considered a dependent and a  
15 qualified exemption of the parent or guardian.

16 (d) The tax credit under this section shall not be  
17 available to:

18 (1) Any person who has been convicted of a felony and who  
19 has been committed to prison and has been physically  
20 confined for the full taxable year;

21 (2) Any person who would otherwise be eligible to be  
22 claimed as a dependent but who has been committed to a





1           shall be reenacted in the form in which it read on  
2           June 30, 2009; and  
3           (2) Section 2 of this Act shall be repealed on June 30,  
4           2015 [~~; provided that sections 237D-2~~], and section  
5           237D-6.5, Hawaii Revised Statutes, shall be reenacted  
6           in the form in which [~~they~~] it read on June 30, 2009."

PART IV

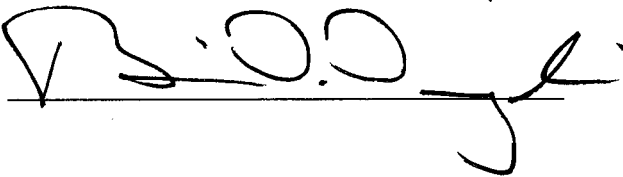
8           SECTION 8. This Act does not affect rights and duties that  
9           matured, penalties that were incurred, and proceedings that were  
10          began before its effective date.

11          SECTION 9. Statutory material to be repealed is bracketed  
12          and stricken. New statutory material is underscored.

13          SECTION 10. This Act shall take effect upon its approval;  
14          provided that:

- 15           (1) Part II shall apply to taxable years beginning after
- 16           December 31, 2011; and
- 17           (2) Part I shall take effect on July 1, 2012.

18

INTRODUCED BY: 



# S.B. NO. 3063

**Report Title:**

General Excise Tax; Increase; Food Tax Credit; Transient Accommodations Tax

**Description:**

Increases the general excise tax by 1% to provide a dedicated funding source for the department of education, University of Hawaii, department of human services, employees' retirement systems pension accumulation fund, Hawaii hurricane relief fund, and emergency and budget reserve fund. Establishes a food tax credit. Reduces the transient accommodations tax.

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

