

JAN 18 2013

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# A BILL FOR AN ACT

RELATING TO STATE FINANCES.

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

1 PART I

2 SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
3 amended by adding a new section to be appropriately designated  
4 and to read as follows:

5 "§235- Food tax credit. (a) Each resident individual  
6 taxpayer, who files an individual income tax return for a  
7 taxable year, and who is not claimed or is not otherwise  
8 eligible to be claimed as a dependent by another taxpayer for  
9 federal or Hawaii state individual income tax purposes, may  
10 claim a food tax credit against the resident taxpayer's  
11 individual income tax liability for the taxable year for which  
12 the individual income tax return is being filed; provided that a  
13 resident individual who has no income or no income taxable under  
14 this chapter and who is not claimed or is not otherwise eligible  
15 to be claimed as a dependent by a taxpayer for federal or Hawaii  
16 state individual income tax purposes may claim this credit.

17 (b) Each resident individual taxpayer may claim a food tax  
18 credit in an amount equal to \$50 multiplied by the number of



1 qualified exemptions to which the taxpayer is entitled; provided  
2 that a husband and wife filing separate tax returns for a  
3 taxable year for which a joint return could have been filed by  
4 them shall claim only the tax credit to which they would have  
5 been entitled had a joint return been filed.

6 (c) For the purposes of this section, a qualified  
7 exemption includes those exemptions permitted under this  
8 chapter; provided that:

- 9 (1) No additional exemption may be claimed by a taxpayer  
10 who is sixty-five years of age or older;  
11 (2) A person for whom exemption is claimed has physically  
12 resided in the State for more than nine months during  
13 the taxable year; and  
14 (3) Multiple exemptions shall not be granted because of  
15 deficiencies in vision or hearing, or other  
16 disability.

17 For purposes of claiming this credit only, a minor child  
18 receiving support from the department of human services of the  
19 State, social security survivor's benefits, and the like, may be  
20 considered a dependent and a qualified exemption of the parent  
21 or guardian.



1        (d) The tax credit under this section shall not be  
2 available to:

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

6        (2) Any person who would otherwise be eligible to be  
7 claimed as a dependent but who has been committed to a  
8 youth correctional facility and has resided at the  
9 facility for the full taxable year; or

10       (3) Any misdemeanor who has been committed to jail and  
11 has been physically confined for the full taxable  
12 year.

13       (e) If the tax credit under this section exceeds the  
14 taxpayer's income tax liability, the excess of the credit over  
15 liability may be used as a credit against the taxpayer's income  
16 tax liability in subsequent years until exhausted.

17       (f) All claims for tax credits under this section,  
18 including any amended claims, shall be filed on or before the  
19 end of the twelfth month following the close of the taxable year  
20 for which the credits may be claimed. Failure to comply with  
21 the foregoing provision shall constitute a waiver of the right  
22 to claim the credit."



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PART II

SECTION 2. 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 substances, commodity or commodities, the amount of the tax to be equal to the value of the articles, substances, or commodities, manufactured, compounded, canned, preserved,



1 packed, printed, milled, processed, refined, or  
2 prepared for sale, as shown by the gross proceeds  
3 derived from the sale thereof by the manufacturer  
4 or person compounding, preparing, or printing  
5 them, multiplied by one-half of one per cent.

6 (B) The measure of the tax on manufacturers is the  
7 value of the entire product for sale, regardless  
8 of the place of sale or the fact that deliveries  
9 may be made to points outside the State.

10 (C) If any person liable for the tax on manufacturers  
11 ships or transports the person's product, or any  
12 part thereof, out of the State, whether in a  
13 finished or unfinished condition, or sells the  
14 same for delivery to points outside the State  
15 (for example, consigned to a mainland purchaser  
16 via common carrier f.o.b. Honolulu), the value of  
17 the products in the condition or form in which  
18 they exist immediately before entering interstate  
19 or foreign commerce, determined as hereinafter  
20 provided, shall be the basis for the assessment  
21 of the tax imposed by this paragraph. This tax  
22 shall be due and payable as of the date of entry



1 of the products into interstate or foreign  
2 commerce, whether the products are then sold or  
3 not. The department shall determine the basis  
4 for assessment, as provided by this paragraph, as  
5 follows:

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

16 (ii) If the products have not been sold at the  
17 time of their entry into interstate or  
18 foreign commerce, and in cases governed by  
19 clause (i) in which the products are sold  
20 under circumstances such that the gross  
21 proceeds of sale are not indicative of the  
22 true value of the products, the value of the



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

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



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

7 (2) Tax on business of selling tangible personal property;  
8 producing.

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

20 Upon every person engaging or continuing within  
21 this State in the business of a producer, the tax  
22 shall be equal to one-half of one per cent of the





1 gross proceeds of sales of the business, or the  
2 value of the products, for sale, if sold for  
3 delivery outside the State or shipped or  
4 transported out of the State, and the value of  
5 the products shall be determined in the same  
6 manner as the value of manufactured products  
7 covered in the cases under paragraph (1) (C).

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



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

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



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

21 (E) A taxpayer selling to a federal cost-plus  
22 contractor may make the election provided for by



1 paragraph (3)(C), and in that case the tax shall  
2 be computed pursuant to the election,  
3 notwithstanding this paragraph or paragraph (1)  
4 to the contrary.

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

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

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

19 (3) Tax upon contractors.

20 (A) Upon every person engaging or continuing within  
21 the State in the business of contracting, the tax



1 shall be equal to [~~four~~] five per cent of the  
2 gross income of the business.

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

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

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

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

20 provided that any person claiming a deduction  
21 under this paragraph shall be required to show in  
22 the person's return the name and general excise



1           number of the person paying the tax on the amount  
2           deducted by the person.

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

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

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



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



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





- 1           (4) Tax upon theaters, amusements, radio broadcasting  
2                    stations, etc.
- 3            (A) Upon every person engaging or continuing within  
4                    the State in the business of operating a theater,  
5                    opera house, moving picture show, vaudeville,  
6                    amusement park, dance hall, skating rink, radio  
7                    broadcasting station, or any other place at which  
8                    amusements are offered to the public, the tax  
9                    shall be equal to [~~four~~] five per cent of the  
10                  gross income of the business, and in the case of  
11                  a sale of an amusement at wholesale under section  
12                  237-4(a)(13), the tax shall be subject to section  
13                  237-13.3.
- 14           (B) The department may require that the person  
15                    rendering an amusement at wholesale take from the  
16                    licensed seller a certificate, in a form  
17                    prescribed by the department, certifying that the  
18                    sale is a sale at wholesale; provided that:
- 19                  (i) Any licensed seller who furnishes a  
20                    certificate shall be obligated to pay to the  
21                    person rendering the amusement, upon demand,  
22                    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) 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~~] five per cent of the  
15                  commissions and other compensation attributable to the  
16                  services so rendered by the person.

17                  (6) Tax on service business.

18                  (A) Upon every person engaging or continuing within  
19                  the State in any service business or calling  
20                  including professional services not otherwise  
21                  specifically taxed under this chapter, there is  
22                  likewise hereby levied and shall be assessed and



1 collected a tax equal to [~~four~~] five per cent of  
2 the gross income of the business, and in the case  
3 of a wholesaler under section 237-4(a)(10), the  
4 tax shall be equal to one-half of one per cent of  
5 the gross income of the business.

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

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

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

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



1 rendering the sale is exclusively rendering  
2 services at wholesale.

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



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



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

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

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

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

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

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



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

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



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

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

17 SECTION 3. Section 237-15, Hawaii Revised Statutes, is  
18 amended to read as follows:

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





1 physician, and [~~such~~] the 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~~] five per  
8 cent [~~which~~] that is generally applied to professions and  
9 services."

10 SECTION 4. Section 237-16.5, Hawaii Revised Statutes, is  
11 amended by amending subsection (a) to read as follows:

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



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

6 SECTION 5. Section 237-18, Hawaii Revised Statutes, is  
7 amended by amending subsection (f) to read as follows:

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

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



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

3 "**§237-31 Remittances.** (a) All remittances of taxes  
4 imposed by this chapter shall be made by money, bank draft,  
5 check, cashier's check, money order, or certificate of deposit  
6 to the office of the department of taxation to which the return  
7 was transmitted.

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

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

21 (2) A sum, not to exceed \$5,000,000, from all general  
22 excise tax revenues realized by the State shall be



1 deposited in the state treasury in each fiscal year to  
2 the credit of the compound interest bond reserve fund;  
3 and

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

13 (c) Notwithstanding subsection (b), beginning on July 1,  
14 2013, the additional revenues generated and collected from the  
15 increase in general excise tax rates imposed by sections 2, 3,  
16 4, and 5 of Act \_\_\_\_\_, Session Laws of Hawaii 2013, shall be  
17 distributed as follows:

18 (1) \$80,000,000 of the revenues shall be deposited into a  
19 special account in the general fund for appropriation  
20 to and expenditure for operations of the department of  
21 education under chapter 302A;



1        (2) \$25,000,000 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 University of  
4                    Hawaii under chapter 304A;

5        (3) \$40,000,000 of the revenues shall be deposited into a  
6                    special account in the general fund for appropriation  
7                    to and expenditure for operations, including grants-  
8                    in-aid, of the department of human services under  
9                    chapter 346;

10       (4) \$25,000,000 of the revenues shall be deposited into  
11                    the Hawaii hurricane relief fund under chapter 431P-2;

12       (5) \$20,000,000 of the revenues shall be deposited into  
13                    the pension accumulation fund established under  
14                    section 88-114; and

15       (6) \$10,000,000 of the revenues shall be deposited into  
16                    the emergency and budget reserve fund under section  
17                    328L-3."

PART III

18  
19       SECTION 7. Act 61, Session Laws of Hawaii 2009, is amended  
20 by amending section 4 to read as follows:

21       "SECTION 4. This Act shall take effect on July 1, 2009[  
22 and]; provided that:



1        (1) Section 1 of this Act shall be repealed on June 30,  
 2        2013, and section 237D-2, Hawaii Revised Statutes,  
 3        shall be reenacted in the form in which it read on  
 4        June 30, 2009; and

5        (2) Section 2 of this Act shall be repealed on June 30,  
 6        2015[; provided that sections 237D-2], and section  
 7        237D-6.5, Hawaii Revised Statutes, shall be reenacted  
 8        in the form in which [they] it read on June 30, 2009."

PART IV

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

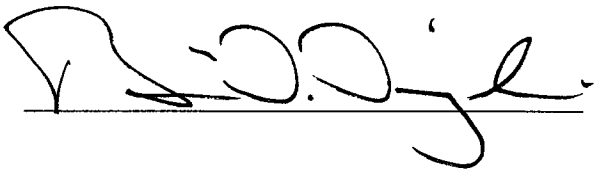
13        SECTION 9. Statutory material to be repealed is bracketed  
 14        and stricken. New statutory material is underscored.

15        SECTION 10. This Act shall take effect upon its approval;  
 16        provided that:

17        (1) Part I shall apply to taxable years beginning after  
 18        December 31, 2012; and

19        (2) Part II shall take effect on July 1, 2013.

20

INTRODUCED BY: 



# S.B. NO. 604

**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.*

