
A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

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

1 SECTION 1. The cost of providing transportation for
2 students in the State's public school system has risen with
3 alarming speed in the past several years. General funds spent
4 on student transportation statewide have nearly tripled to
5 \$72,400,000 since 2006. Although school buses provide an
6 important service for students, the expense of providing such
7 service cannot increase unchecked.

8 In response to the continually escalating costs of
9 providing bus transportation, the state auditor conducted a
10 management audit of the department of education's school bus
11 transportation services and released Report No. 12-07 to the
12 governor and legislature in August 2012. Among the findings
13 made by the state auditor in the report was that the department
14 of education includes within its contracts with school bus
15 service providers a provision specifying that the department
16 will pay the general excise taxes of these contractors. The
17 department of education, along with other state employees
18 involved in preparing and reviewing these transportation service



1 contracts, was unable to explain why this provision was included
2 in the contracts. Furthermore, one of the employees confirmed
3 that it is unusual for a contract to specifically require a
4 state agency to pay a contractor's general excise tax.

5 The legislature agrees with the state auditor's:

6 (1) Finding that "[b]y agreeing to pay contractors'
7 general excise tax liability, the department [of
8 education] has added another price burden to school
9 bus service contracts . . . and in doing so has failed
10 to protect the State's interest . . . "; and

11 (2) Recommendation that chapter 237, Hawaii Revised
12 Statutes, be amended to explicitly prohibit the State
13 from paying or reimbursing contractors for general
14 excise taxes.

15 SECTION 2. Chapter 237, Hawaii Revised Statutes, is
16 amended by adding a new section to be appropriately designated
17 and to read as follows:

18 "§237- Contractors; payment or reimbursement;
19 prohibited. Notwithstanding any provision of law to the
20 contrary, the State shall not pay or reimburse contractors for
21 any amount due to the State under this chapter by contractors."



1 SECTION 3. This Act does not affect rights and duties that
2 matured, penalties that were incurred, and proceedings that were
3 begun before its effective date.

4 SECTION 4. New statutory material is underscored.

5 SECTION 5. This Act shall take effect upon its approval.

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INTRODUCED BY:

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H.B. NO. 506

Report Title:

General Excise Tax; State; Contractors

Description:

Prohibits the State from paying or reimbursing contractors for the General Excise Tax.

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