

**NEIL ABERCROMBIE**  
GOVERNOR

**SHAN TSUTSUI**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

**FREDERICK D. PABLO**  
DIRECTOR OF TAXATION

**JOSHUA WISCH**  
DEPUTY DIRECTOR

To: The Honorable David Y. Ige, Chair  
and Members of the Senate Committee on Ways and Means

Date: Thursday, January 30, 2014  
Time: 9:00 A.M.  
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. 2896, Relating to General Excise Tax Wholesale Rate Imposed Upon  
Sale of Tangible Personal Property

The Department of Taxation (Department) strongly supports S.B. 2896, an Administration measure, and provides the following information and comments for your consideration.

S.B. 2896 clarifies that the General Excise Tax (GET) imposed upon the wholesale sale of tangible personal property is generally one-half of one percent of the gross proceeds of the sale. The wholesale rate was inadvertently deleted by Act 135, Session Laws of Hawaii 2003.

S.B. 2896 also clarifies that the wholesale rate of one-half percent does not apply if the tangible personal property will be resold at wholesale under Hawaii Revised Statutes section 237-29.55. This measure is necessary and will provide certainty to the public and to the Department regarding administration of the GET.

Thank you for the opportunity to provide comments.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** GENERAL EXCISE, Wholesale rate imposed on sale of tangible personal property

**BILL NUMBER:** SB 2896; HB 2346 (Identical)

**INTRODUCED BY:** SB by Kim by request; HB by Souki by request

**BRIEF SUMMARY:** Amends HRS section 237-13(2)(A) to state that the general excise tax shall be imposed at the rate of 0.5% of the gross proceeds of sales of tangible personal property. The current draft includes the language “notwithstanding the exemption provided under section 237-29.55.”

**EFFECTIVE DATE:** Upon approval.

**STAFF COMMENTS:** This is an administration measure submitted by the department of taxation TAX-12 (14). According to the department’s justification sheet submitted with the measure, the wholesale rate of 0.5% on the sale of tangible personal property was inadvertently deleted by Act 135, SLH 2003. Since then, however, both the department and taxpayers have gone on their merry way as if the tax never disappeared.

Restoration of the inadvertently deleted language “and in the case of a wholesaler, the tax shall be equal to one-half of one per cent of the gross proceeds of sales of the business” is appropriate.

With regard to “notwithstanding the exemption provided under HRS section 237-29.55,” the justification sheet states that the department’s intent is for the public to “have certainty that wholesale sales of tangible personal property are subject to the one half of one per cent rate unless exempted under HRS section 237-29.55.” The “notwithstanding” phrase seems to nullify the exemption, which does not seem to be what was intended, and should be deleted.

Digested 1/27/14