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# A BILL FOR AN ACT

RELATING TO TAXATION.

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

1           SECTION 1. The legislature finds that Hawaii is often  
2 rated last, or near the bottom, in surveys measuring the  
3 friendliness of a state's business climate.

4           The legislature believes that exempting small businesses  
5 with annual gross incomes of \$50,000 or less would help to  
6 promote entrepreneurship in the State and stimulate the local  
7 economy. According the department of taxation, such an  
8 exemption is projected to result in a loss of \$60,000,000 in tax  
9 revenues. However, this loss would be offset by the increased  
10 economic activity produced by the exemption and possibly result  
11 in a revenue gain.

12           The purpose of this Act is to establish a general excise  
13 tax exemption for small businesses with an annual gross income  
14 of no more than \$50,000.

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:



1        "§237-        Exemption; small businesses. (a) This chapter  
2 shall not apply to a qualified small business; provided that the  
3 gross income of the qualified small business does not exceed  
4 \$50,000 for the taxable year the exemption is claimed.

5        (b) A qualified small business claiming an exemption under  
6 this section shall not pass on the taxes imposed by this chapter  
7 to its customers for the taxable year the exemption is claimed.

8        (c) For the purposes of this section, "qualified small  
9 business" means a corporation, partnership, sole proprietorship,  
10 or other legal entity that:

- 11        (1) Is domiciled in this State;
- 12        (2) Is formed to make a profit;
- 13        (3) Is independently owned and operated;
- 14        (4) Employs fewer than one hundred full-time employees;
- 15        and
- 16        (5) Has been issued a certificate of tax clearance from  
17 the department of taxation verifying that the small  
18 business has filed all required returns and paid all  
19 required taxes, penalties, and interest for the  
20 taxable year the exemption is claimed.



1 (d) The director of taxation shall adopt rules in  
2 accordance with chapter 91 to implement this section."

3 SECTION 3. New statutory material is underscored.

4 SECTION 4. This Act shall take effect on January 1, 2017.

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INTRODUCED BY:

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JAN 22 2016



# H.B. NO. 1913

**Report Title:**

General Excise Tax Exemption; Small Businesses

**Description:**

Exempts qualified small businesses from the general excise tax.

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

