
A BILL FOR AN ACT

RELATING TO A GENERAL EXCISE TAX EXEMPTION FOR LOW INCOME RENTAL
SUBSIDIES.

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

1 SECTION 1. Section 237-24.7, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§237-24.7 Additional amounts not taxable. In addition to
4 the amounts not taxable under section 237-24, this chapter shall
5 not apply to:

6 (1) Amounts received by the operator of a hotel from the
7 owner of the hotel or from a time share association,
8 and amounts received by the suboperator of a hotel
9 from the owner of the hotel, from a time share
10 association, or from the operator of the hotel, in
11 amounts equal to and which are disbursed by the
12 operator or suboperator for employee wages, salaries,
13 payroll taxes, insurance premiums, and benefits,
14 including retirement, vacation, sick pay, and health
15 benefits. As used in this paragraph:



1 "Employee" means employees directly engaged in
2 the day-to-day operation of the hotel and employed by
3 the operator or suboperator.

4 "Hotel" means an operation as defined in section
5 445-90 or a time share plan as defined in section
6 514E-1.

7 "Operator" means any person who, pursuant to a
8 written contract with the owner of a hotel or time
9 share association, operates or manages the hotel for
10 the owner or time share association.

11 "Owner" means the fee owner or lessee under a
12 recorded lease of a hotel.

13 "Suboperator" means any person who, pursuant to a
14 written contract with the operator, operates or
15 manages the hotel as a subcontractor of the operator.

16 "Time share association" means an "association"
17 as that term is defined in section 514E-1;

18 (2) Amounts received by the operator of a county
19 transportation system operated under an operating
20 contract with a political subdivision, where the



1 political subdivision is the owner of the county
2 transportation system. As used in this paragraph:

3 "County transportation system" means a mass
4 transit system of motorized buses providing regularly
5 scheduled transportation within a county.

6 "Operating contract" or "contract" means a
7 contract to operate and manage a political
8 subdivision's county transportation system, which
9 provides that:

10 (A) The political subdivision shall exercise
11 substantial control over all aspects of the
12 operator's operation;

13 (B) The political subdivision controls the
14 development of transit policy, service
15 planning, routes, and fares; and

16 (C) The operator develops in advance a draft
17 budget in the same format as prescribed for
18 agencies of the political subdivision. The
19 budget must be subject to the same
20 constraints and controls regarding the
21 lawful expenditure of public funds as any



1 public sector agency, and deviations from
2 the budget must be subject to approval by
3 the appropriate political subdivision
4 officials involved in the budgetary process.

5 "Operator" means any person who, pursuant to an
6 operating contract with a political subdivision,
7 operates or manages a county transportation system.

8 "Owner" means a political subdivision that owns
9 or is the lessee of all the properties and facilities
10 of the county transportation system (including buses,
11 real estate, parking garages, fuel pumps, maintenance
12 equipment, office supplies, etc.), and that owns all
13 revenues derived therefrom;

14 (3) Surcharge taxes on rental motor vehicles imposed by
15 chapter 251 and passed on and collected by persons
16 holding certificates of registration under that
17 chapter;

18 (4) Amounts received by the operator of orchard properties
19 from the owner of the orchard property in amounts
20 equal to and which are disbursed by the operator for
21 employee wages, salaries, payroll taxes, insurance



1 premiums, and benefits, including retirement,
2 vacation, sick pay, and health benefits. As used in
3 this paragraph:

4 "Employee" means an employee directly engaged in
5 the day-to-day operations of the orchard properties
6 and employed by the operator.

7 "Operator" means a producer who, pursuant to a
8 written contract with the owner of the orchard
9 property, operates or manages the orchard property for
10 the owner where the property contains an area
11 sufficient to make the undertaking economically
12 feasible.

13 "Orchard property" means any real property that
14 is used to raise trees with a production life cycle of
15 fifteen years or more producing fruits or nuts having
16 a normal period of development from the initial
17 planting to the first commercially saleable harvest of
18 not less than three years.

19 "Owner" means a fee owner or lessee under a
20 recorded lease of orchard property;



- 1 (5) Taxes on nursing facility income imposed by chapter
2 346E and passed on and collected by operators of
3 nursing facilities;
- 4 (6) Amounts received under property and casualty insurance
5 policies for damage or loss of inventory used in the
6 conduct of a trade or business located within the
7 State or a portion thereof that is declared a natural
8 disaster area by the governor pursuant to section 209-
9 2;
- 10 (7) Amounts received as compensation by community
11 organizations, school booster clubs, and nonprofit
12 organizations under a contract with the chief election
13 officer for the provision and compensation of precinct
14 officials and other election-related personnel,
15 services, and activities, pursuant to section 11-5;
- 16 (8) Interest received by a person domiciled outside the
17 State from a trust company (as defined in section
18 412:8-101) acting as payment agent or trustee on
19 behalf of the issuer or payees of an interest bearing
20 instrument or obligation, if the interest would not
21 have been subject to tax under this chapter if paid



1 directly to the person domiciled outside the State
2 without the use of a paying agent or trustee; provided
3 that if the interest would otherwise be taxable under
4 this chapter if paid directly to the person domiciled
5 outside the State, it shall not be exempt solely
6 because of the use of a Hawaii trust company as a
7 paying agent or trustee;

8 (9) Amounts received by a management company from related
9 entities engaged in the business of selling interstate
10 or foreign common carrier telecommunications services
11 in amounts equal to and which are disbursed by the
12 management company for employee wages, salaries,
13 payroll taxes, insurance premiums, and benefits,
14 including retirement, vacation, sick pay, and health
15 benefits. As used in this paragraph:

16 "Employee" means employees directly engaged in
17 the day-to-day operation of related entities engaged
18 in the business of selling interstate or foreign
19 common carrier telecommunications services and
20 employed by the management company.



H.B. NO. 1958

1 "Management company" means any person who,
2 pursuant to a written contract with a related entity
3 engaged in the business of selling interstate or
4 foreign common carrier telecommunications services,
5 provides managerial or operational services to that
6 entity.

7 "Related entities" means:

8 (A) An affiliated group of corporations within
9 the meaning of section 1504 (with respect to
10 affiliated group defined) of the federal
11 Internal Revenue Code of 1986, as amended;

12 (B) A controlled group of corporations within
13 the meaning of section 1563 (with respect to
14 definitions and special rules) of the
15 federal Internal Revenue Code of 1986, as
16 amended;

17 (C) Those entities connected through ownership
18 of at least eighty per cent of the total
19 value and at least eighty per cent of the
20 total voting power of each such entity (or
21 combination thereof), including



1 partnerships, associations, trusts, S
 2 corporations, nonprofit corporations,
 3 limited liability partnerships, or limited
 4 liability companies; and

5 (D) Any group or combination of the entities
 6 described in paragraph (C) constituting a
 7 unitary business for income tax purposes;
 8 whether or not the entity is located within or without
 9 the State or licensed under this chapter; [~~and~~]

10 (10) Amounts received as grants under section 206M-15 [-];
 11 and

12 (11) Amounts received from a government public housing
 13 agency or non-profit organization for the
 14 subsidization of rent for individuals or families
 15 participating in a Title 42 United States Code section
 16 1437 assisted housing program or federal, state, or
 17 county housing first program."

18 SECTION 2. Statutory material to be repealed is bracketed
 19 and stricken. New statutory material is underscored.



1 SECTION 3. This Act shall take effect upon its approval;
 2 provided that this Act shall apply to gross income or gross
 3 proceeds received after December 31, 2015.

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H.B. NO. 1958

Report Title:

Housing First; Section 8 Housing; GET

Description:

Exempts rental subsidy payments for Section 8 and Housing First Programs from the state general excise tax.

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