

JAN 22 2016

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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 article X,  
2 section 1, of the Constitution of the State of Hawaii requires  
3 the State to provide a system of public education. Compared to  
4 other states, Hawaii is unique because the State, rather than a  
5 county or local level jurisdiction, is responsible for public  
6 education. As a result, funding for public education in Hawaii  
7 is primarily sourced from the general fund of the State.  
8 However, maintaining adequate levels of funding for public  
9 education has been a persistent issue due to other problems  
10 facing the State and general fund use. The State's growing  
11 aging population has greatly increased the demand for medical  
12 and long-term care services and the rise in homelessness over  
13 the past decade has tested the State's ability to provide both  
14 emergency housing and affordable housing.

15           The legislature further finds that the department of  
16 education has experienced an increase in demands. The United  
17 States Department of Education considers over seventy per cent



1 of Hawaii's public schools to be title I schools and a majority  
2 of public school students are considered "high-needs" students,  
3 meaning the student qualifies for free or reduced price lunch,  
4 is an English language learner, or a special education student.  
5 School facilities are aging infrastructures and there is a  
6 persistent backlog of necessary repair and maintenance work. In  
7 addition, after adjusting for the high cost of living in Hawaii,  
8 teachers are faced with the lowest pay in the United States.

9 The legislature additionally finds that there have been  
10 numerous policies aimed at improving student outcomes and  
11 funding the department of education. In 2004, the  
12 responsibility for maintaining school facilities was transferred  
13 from the department of accounting and general services to the  
14 department of education and the weighted student formula was  
15 established as the primary method of allocating money to  
16 schools. These changes resulted in a decrease in the department  
17 of education's repair and maintenance backlog and provided  
18 school principals with greater authority to make decisions about  
19 curriculum that is appropriate for their school. In 2010, a  
20 minimum amount of instructional time was required to be provided  
21 to students to ensure that students are able to receive the



1 education they need. That same year, article X of the  
2 Constitution of the State of Hawaii was amended to require board  
3 of education members to be appointed by the governor rather than  
4 elected, clarifying who has ultimate responsibility for  
5 overseeing the department of education. Most recently, in 2015,  
6 a public prekindergarten program was established to improve the  
7 State's educational outcomes as early as possible and build a  
8 solid foundation for learning.

9 The legislature also finds that fiscal policy remains the  
10 single biggest constraint on improving public education. It is  
11 necessary to increase the general excise tax, the primary source  
12 of revenue for the state general fund, in order to ensure that  
13 the State will continue to be able to provide a public education  
14 that can adequately prepare the children of Hawaii for the  
15 future. It is the intent of the legislature that the additional  
16 revenue generated from this tax increase will be used to meet  
17 the various needs of the department of education, including but  
18 not limited to the reduction in the backlog of facility repair  
19 and maintenance, providing air conditioning in overheated  
20 classrooms, and expanding the public prekindergarten program.  
21 Other legislation relating to vocational education, air



1 conditioning in classrooms, and public prekindergarten  
2 availability have been introduced alongside this Act in the 2016  
3 regular session and it is the legislature's intent that such  
4 legislation be funded by this tax increase.

5 The purpose of this Act is to raise the general excise tax  
6 rate by one per cent and deposit all additional revenue  
7 collected from the general excise tax increase into a special  
8 account in the general fund for department of education  
9 operations, including salaries and maintenance costs.

10 SECTION 2. Section 237-13, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 "§237-13 **Imposition of tax.** There is hereby levied and  
13 shall be assessed and collected annually privilege taxes against  
14 persons on account of their business and other activities in the  
15 State measured by the application of rates against values of  
16 products, gross proceeds of sales, or gross income, whichever is  
17 specified, as follows:

18 (1) Tax on manufacturers.

19 (A) Upon every person engaging or continuing within  
20 the State in the business of manufacturing,  
21 including compounding, canning, preserving,



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1 packing, printing, publishing, milling,  
2 processing, refining, or preparing for sale,  
3 profit, or commercial use, either directly or  
4 through the activity of others, in whole or in  
5 part, any article or articles, substance or  
6 substances, commodity or commodities, the amount  
7 of the tax to be equal to the value of the  
8 articles, substances, or commodities,  
9 manufactured, compounded, canned, preserved,  
10 packed, printed, milled, processed, refined, or  
11 prepared for sale, as shown by the gross proceeds  
12 derived from the sale thereof by the manufacturer  
13 or person compounding, preparing, or printing  
14 them, multiplied by one-half of one per cent.

15 (B) The measure of the tax on manufacturers is the  
16 value of the entire product for sale, regardless  
17 of the place of sale or the fact that deliveries  
18 may be made to points outside the State.

19 (C) If any person liable for the tax on manufacturers  
20 ships or transports the person's product, or any  
21 part thereof, out of the State, whether in a



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1 finished or unfinished condition, or sells the  
2 same for delivery to points outside the State  
3 (for example, consigned to a mainland purchaser  
4 via common carrier f.o.b. Honolulu), the value of  
5 the products in the condition or form in which  
6 they exist immediately before entering interstate  
7 or foreign commerce, determined as hereinafter  
8 provided, shall be the basis for the assessment  
9 of the tax imposed by this paragraph. This tax  
10 shall be due and payable as of the date of entry  
11 of the products into interstate or foreign  
12 commerce, whether the products are then sold or  
13 not. The department shall determine the basis  
14 for assessment, as provided by this paragraph, as  
15 follows:

16 (i) If the products at the time of their entry  
17 into interstate or foreign commerce already  
18 have been sold, the gross proceeds of sale,  
19 less the transportation expenses, if any,  
20 incurred in realizing the gross proceeds for  
21 transportation from the time of entry of the



1 products into interstate or foreign  
2 commerce, including insurance and storage in  
3 transit, shall be the measure of the value  
4 of the products;

5 (ii) If the products have not been sold at the  
6 time of their entry into interstate or  
7 foreign commerce, and in cases governed by  
8 clause (i) in which the products are sold  
9 under circumstances such that the gross  
10 proceeds of sale are not indicative of the  
11 true value of the products, the value of the  
12 products constituting the basis for  
13 assessment shall correspond as nearly as  
14 possible to the gross proceeds of sales for  
15 delivery outside the State, adjusted as  
16 provided in clause (i), or if sufficient  
17 data are not available, sales in the State,  
18 of similar products of like quality and  
19 character and in similar quantities, made by  
20 the taxpayer (unless not indicative of the  
21 true value) or by others. Sales outside the



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1 State, adjusted as provided in clause (i),  
2 may be considered when they constitute the  
3 best available data. The department shall  
4 prescribe uniform and equitable rules for  
5 ascertaining the values;

6 (iii) At the election of the taxpayer and with the  
7 approval of the department, the taxpayer may  
8 make the taxpayer's returns under clause (i)  
9 even though the products have not been sold  
10 at the time of their entry into interstate  
11 or foreign commerce; and

12 (iv) In all cases in which products leave the  
13 State in an unfinished condition, the basis  
14 for assessment shall be adjusted so as to  
15 deduct the portion of the value as is  
16 attributable to the finishing of the goods  
17 outside the State.

18 (2) Tax on business of selling tangible personal property;  
19 producing.

20 (A) Upon every person engaging or continuing in the  
21 business of selling any tangible personal





1 property whatsoever (not including, however,  
2 bonds or other evidence of indebtedness, or  
3 stocks), there is likewise hereby levied, and  
4 shall be assessed and collected, a tax equivalent  
5 to [~~four~~] five per cent of the gross proceeds of  
6 sales of the business; provided that, in the case  
7 of a wholesaler, the tax shall be equal to one-  
8 half of one per cent of the gross proceeds of  
9 sales of the business; and provided further that  
10 insofar as the sale of tangible personal property  
11 is a wholesale sale under section 237-4(a)(8),  
12 the tax shall be one-half of one per cent of the  
13 gross proceeds. Upon every person engaging or  
14 continuing within this State in the business of a  
15 producer, the tax shall be equal to one-half of  
16 one per cent of the gross proceeds of sales of  
17 the business, or the value of the products, for  
18 sale, if sold for delivery outside the State or  
19 shipped or transported out of the State, and the  
20 value of the products shall be determined in the



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1 same manner as the value of manufactured products  
2 covered in the cases under paragraph (1)(C).

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

17 (C) No manufacturer or producer, engaged in such  
18 business in the State and selling the  
19 manufacturer's or producer's products for  
20 delivery outside of the State (for example,  
21 consigned to a mainland purchaser via common



1 carrier f.o.b. Honolulu), shall be required to  
2 pay the tax imposed in this chapter for the  
3 privilege of so selling the products, and the  
4 value or gross proceeds of sales of the products  
5 shall be included only in determining the measure  
6 of the tax imposed upon the manufacturer or  
7 producer.

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



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

17 (E) A taxpayer selling to a federal cost-plus  
18 contractor may make the election provided for by  
19 paragraph (3) (C), and in that case the tax shall  
20 be computed pursuant to the election,



1                   notwithstanding this paragraph or paragraph (1)  
2                   to the contrary.

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

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

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

17                  (3) Tax upon contractors.

18                  (A) Upon every person engaging or continuing within  
19                  the State in the business of contracting, the tax  
20                  shall be equal to [~~four~~] five per cent of the  
21                  gross income of the business.



1           (B) In computing the tax levied under this paragraph,  
2           there shall be deducted from the gross income of  
3           the taxpayer so much thereof as has been included  
4           in the measure of the tax levied under  
5           subparagraph (A), on:  
6           (i) Another taxpayer who is a contractor, as  
7           defined in section 237-6;  
8           (ii) A specialty contractor, duly licensed by the  
9           department of commerce and consumer affairs  
10           pursuant to section 444-9, in respect of the  
11           specialty contractor's business; or  
12           (iii) A specialty contractor who is not licensed  
13           by the department of commerce and consumer  
14           affairs pursuant to section 444-9, but who  
15           performs contracting activities on federal  
16           military installations and nowhere else in  
17           this State;  
18           provided that any person claiming a deduction  
19           under this paragraph shall be required to show in  
20           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





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



1           under a lease is taxed under section 237-16.5,  
2           the tax shall be levied by section 237-16.5.

3       (4) Tax upon theaters, amusements, radio broadcasting  
4       stations, etc.

5           (A) Upon every person engaging or continuing within  
6           the State in the business of operating a theater,  
7           opera house, moving picture show, vaudeville,  
8           amusement park, dance hall, skating rink, radio  
9           broadcasting station, or any other place at which  
10          amusements are offered to the public, the tax  
11          shall be equal to [~~four~~] five per cent of the  
12          gross income of the business, and in the case of  
13          a sale of an amusement at wholesale under section  
14          237-4(a)(13), the tax shall be one-half of one  
15          per cent of the gross income.

16          (B) The department may require that the person  
17          rendering an amusement at wholesale take from the  
18          licensed seller a certificate, in a form  
19          prescribed by the department, certifying that the  
20          sale is a sale at wholesale; provided that:



1           (i) Any licensed seller who furnishes a  
2           certificate shall be obligated to pay to the  
3           person rendering the amusement, upon demand,  
4           the amount of additional tax that is imposed  
5           upon the seller whenever the sale is not at  
6           wholesale; and

7           (ii) The absence of a certificate in itself shall  
8           give rise to the presumption that the sale  
9           is not at wholesale unless the person  
10          rendering the sale is exclusively rendering  
11          the amusement at wholesale.

12       (5) Tax upon sales representatives, etc. Upon every  
13       person classified as a representative or purchasing  
14       agent under section 237-1, engaging or continuing  
15       within the State in the business of performing  
16       services for another, other than as an employee, there  
17       is likewise hereby levied and shall be assessed and  
18       collected a tax equal to [~~four~~] five per cent of the  
19       commissions and other compensation attributable to the  
20       services so rendered by the person.

21       (6) Tax on service business.



1           (A) Upon every person engaging or continuing within  
2           the State in any service business or calling  
3           including professional services not otherwise  
4           specifically taxed under this chapter, there is  
5           likewise hereby levied and shall be assessed and  
6           collected a tax equal to [~~four~~] five per cent of  
7           the gross income of the business, and in the case  
8           of a wholesaler under section 237-4(a)(10), the  
9           tax shall be equal to one-half of one per cent of  
10          the gross income of the business.

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

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



1           (ii) The absence of a certificate in itself shall  
2                           give rise to the presumption that the sale  
3                           is not at wholesale unless the person  
4                           rendering the sale is exclusively rendering  
5                           services at wholesale.

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



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1 gross income shall be apportioned as provided in  
2 section 237-21; provided that the apportionment  
3 factor and formula shall be the same for all  
4 persons providing those services in the State.

5 (D) Where any person is engaged in the business of a  
6 home service provider, the tax shall be imposed  
7 on the gross income received or derived from  
8 providing interstate or foreign mobile  
9 telecommunications services to a customer with a  
10 place of primary use in this State when such  
11 services originate in one state and terminate in  
12 another state, territory, or foreign country;  
13 provided that all charges for mobile  
14 telecommunications services which are billed by  
15 or for the home service provider are deemed to be  
16 provided by the home service provider at the  
17 customer's place of primary use, regardless of  
18 where the mobile telecommunications originate,  
19 terminate, or pass through; provided further that  
20 the income from charges specifically derived from  
21 interstate or foreign mobile telecommunications



1 services, as determined by books and records that  
2 are kept in the regular course of business by the  
3 home service provider in accordance with section  
4 239-24, shall be apportioned under any  
5 apportionment factor or formula adopted under  
6 subparagraph (C). Gross income shall not  
7 include:

8 (i) Gross receipts from mobile  
9 telecommunications services provided to a  
10 customer with a place of primary use outside  
11 this State;

12 (ii) Gross receipts from mobile  
13 telecommunications services that are subject  
14 to the tax imposed by chapter 239;

15 (iii) Gross receipts from mobile  
16 telecommunications services taxed under  
17 section 237-13.8; and

18 (iv) Gross receipts of a home service provider  
19 acting as a serving carrier providing mobile  
20 telecommunications services to another home  
21 service provider's customer.



1           For the purposes of this paragraph, "charges for  
2           mobile telecommunications services", "customer",  
3           "home service provider", "mobile  
4           telecommunications services", "place of primary  
5           use", and "serving carrier" have the same meaning  
6           as in section 239-22.

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

12          (8) Tax on receipts of sugar benefit payments. Upon the  
13          amounts received from the United States government by  
14          any producer of sugar (or the producer's legal  
15          representative or heirs), as defined under and by  
16          virtue of the Sugar Act of 1948, as amended, or other  
17          Acts of the Congress of the United States relating  
18          thereto, there is hereby levied a tax of one-half of  
19          one per cent of the gross amount received; provided  
20          that the tax levied hereunder on any amount so  
21          received and actually disbursed to another by a





1 producer in the form of a benefit payment shall be  
2 paid by the person or persons to whom the amount is  
3 actually disbursed, and the producer actually making a  
4 benefit payment to another shall be entitled to claim  
5 on the producer's return a deduction from the gross  
6 amount taxable hereunder in the sum of the amount so  
7 disbursed. The amounts taxed under this paragraph  
8 shall not be taxable under any other paragraph,  
9 subsection, or section of this chapter.

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



1           equivalent value of products, unless specifically  
2           exempted."

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

5           "**§237-15 Technicians.** When technicians supply dentists or  
6 physicians with dentures, orthodontic devices, braces, and  
7 similar items which have been prepared by the technician in  
8 accordance with specifications furnished by the dentist or  
9 physician, and such items are to be used by the dentist or  
10 physician in the dentist's or physician's professional practice  
11 for a particular patient who is to pay the dentist or physician  
12 for the same as a part of the dentist's or physician's  
13 professional services, the technician shall be taxed as though  
14 the technician were a manufacturer selling a product to a  
15 licensed retailer, rather than at the rate of [~~four~~] five per  
16 cent which is generally applied to professions and services."

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

19           "(a) This section relates to the leasing of real property  
20 by a lessor to a lessee. There is hereby levied, and shall be  
21 assessed and collected annually, a privilege tax against persons



1 engaging or continuing within the State in the business of  
2 leasing real property to another, equal to [~~four~~] five per cent  
3 of the gross proceeds or gross income received or derived from  
4 the leasing; provided that where real property is subleased by a  
5 lessee to a sublessee, the lessee, as provided in this section,  
6 shall be allowed a deduction from the amount of gross proceeds  
7 or gross income received from its sublease of the real property.  
8 The deduction shall be in the amount allowed under this section.

9 All deductions under this section and the name and general  
10 excise tax number of the lessee's lessor shall be reported on  
11 the general excise tax return. Any deduction allowed under this  
12 section shall only be allowed with respect to leases and  
13 subleases in writing and relating to the same real property."

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

16 "(f) Where tourism related services are furnished through  
17 arrangements made by a travel agency or tour packager and the  
18 gross income is divided between the provider of the services and  
19 the travel agency or tour packager, the tax imposed by this  
20 chapter shall apply to each such person with respect to such  
21 person's respective portion of the proceeds, and no more.



1           As used in this subsection "tourism related services" means  
2 catamaran cruises, canoe rides, dinner cruises, lei greetings,  
3 transportation included in a tour package, sightseeing tours not  
4 subject to chapter 239, admissions to luaus, dinner shows,  
5 extravaganzas, cultural and educational facilities, and other  
6 services rendered directly to the customer or tourist, but only  
7 if the providers of the services other than air transportation  
8 are subject to a [~~four~~] five per cent tax under this chapter or  
9 chapter 239."

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

12           "**§237-31 Remittances.** (a) All remittances of taxes  
13 imposed by this chapter shall be made by money, bank draft,  
14 check, cashier's check, money order, or certificate of deposit  
15 to the office of the department of taxation to which the return  
16 was transmitted.

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



- 1           (1) A sum, not to exceed \$5,000,000, from all general  
2           excise tax revenues realized by the State shall be  
3           deposited in the state treasury in each fiscal year to  
4           the credit of the compound interest bond reserve fund;
- 5           (2) A sum from all general excise tax revenues realized by  
6           the State that is equal to one-half of the total  
7           amount of funds appropriated or transferred out of the  
8           hurricane reserve trust fund under sections 4 and 5 of  
9           Act 62, Session Laws of Hawaii 2011, shall be  
10          deposited into the hurricane reserve trust fund in  
11          fiscal year 2013-2014 and in fiscal year 2014-2015;  
12          provided that the deposit required in each fiscal year  
13          shall be made by October 1 of that fiscal year; and
- 14          [+] (3) [+] Commencing with fiscal year 2018-2019, a sum from all  
15          general excise tax revenues realized by the State that  
16          represents the difference between the state public  
17          employer's annual required contribution for the  
18          separate trust fund established under section 87A-42  
19          and the amount of the state public employer's  
20          contributions into that trust fund shall be deposited  
21          to the credit of the State's annual required



1 contribution into that trust fund in each fiscal year,  
2 as provided in section 87A-42.

3 (c) Notwithstanding subsection (b), beginning on  
4 January 1, 2017, the additional revenues generated and collected  
5 from the increase in general excise tax rates imposed by  
6 sections 2 to 5 of Act \_\_\_\_\_, Session Laws of Hawaii 2016, shall  
7 be deposited into a special account in the general fund for  
8 operations, including salaries and maintenance costs, of the  
9 department of education under chapter 302A."

10 SECTION 7. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12 SECTION 8. This Act shall take effect upon its approval;  
13 provided that sections 2 to 5 shall apply to taxable years  
14 beginning after December 31, 2016.

15

INTRODUCED BY:

Michelle Fedina

Ronald H. Bab

B



# S.B. NO. 2599

**Report Title:**

General Excise Tax; Department of Education; Special Account

**Description:**

Increases the general excise tax from four per cent to five per cent and requires that additional revenue collected from the general excise tax increase be deposited into a special account in the general fund for department of education operations, including salaries and maintenance costs

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