

MAR 11 2016

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# SENATE CONCURRENT RESOLUTION

REQUESTING THE TAX REVIEW COMMISSION TO ANALYZE GENERAL EXCISE  
TAX PYRAMIDING AS APPLIED TO TRANSIENT ACCOMMODATIONS.

1           WHEREAS, the Hawaii general excise tax (GET) was studied  
2 extensively by, among others, the Tax Review Commissions of 1989  
3 and 1995, both of which recommended structural changes to the  
4 GET because of excessive pyramiding, namely where the retail tax  
5 rate is applied multiple times to the same product, service, or  
6 other economic activity before it reaches the ultimate consumer;  
7 and

8  
9           WHEREAS, the sublease deduction enacted by Act 353, Session  
10 Laws of Hawaii (SLH) 1997, and codified as Hawaii Revised  
11 Statutes section 237-16.5, represented the first steps in  
12 mitigating the impacts of pyramiding, to be followed by Acts 70  
13 and 71, SLH 1999, and Act 198, SLH 2000, which fundamentally  
14 changed the GET by eliminating much of the pyramiding as it  
15 related to the furnishing of services; and

16  
17           WHEREAS, the sublease deduction is currently applied so  
18 that where both a sublessor and sublessee pay rent on the same  
19 leased property, both parties do not also pay the standard GET  
20 rate on rents received; and

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22           WHEREAS, the Department of Taxation has taken the position  
23 that the sublease deduction cannot be applied to mitigate the  
24 impact of pyramiding where an operator of transient  
25 accommodations, such as a hotel, pays rent to a landlord and the  
26 guest pays room charges to the operator, although the room  
27 charge paid to the operator represents, at least in substantial  
28 part, a charge for occupancy of real estate, and the rent paid  
29 by the operator to the landlord is a charge for occupancy of the  
30 same real estate; and



