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## A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTIONS.

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

1       SECTION 1. Section 237-24, Hawaii Revised Statutes, is  
2 amended to read as follows:

3       "**§237-24 Amounts not taxable.** This chapter shall not  
4 apply to the following amounts:

- 5       (1) Amounts received under life insurance policies and  
6       contracts paid by reason of the death of the insured;
- 7       (2) Amounts received (other than amounts paid by reason of  
8       death of the insured) under life insurance, endowment,  
9       or annuity contracts, either during the term or at  
10       maturity or upon surrender of the contract;
- 11       (3) Amounts received under any accident insurance or  
12       health insurance policy or contract or under workers'  
13       compensation acts or employers' liability acts, as  
14       compensation for personal injuries, death, or  
15       sickness, including also the amount of any damages or  
16       other compensation received, whether as a result of  
17       action or by private agreement between the parties on  
18       account of the personal injuries, death, or sickness.

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- 1       (4) The value of all property of every kind and sort  
2       acquired by gift, bequest, or devise, and the value of  
3       all property acquired by descent or inheritance;
- 4       (5) Amounts received by any person as compensatory damages  
5       for any tort injury to the person, or to the person's  
6       character reputation, or received as compensatory  
7       damages for any tort injury to or destruction of  
8       property, whether as the result of action or by  
9       private agreement between the parties (provided that  
10      amounts received as punitive damages for tort injury  
11      or breach of contract injury shall be included in  
12      gross income);
- 13      (6) Amounts received as salaries or wages for services  
14      rendered by an employee to an employer;
- 15      (7) Amounts received as alimony and other similar payments  
16      and settlements;
- 17      (8) Amounts collected by distributors as fuel taxes on  
18      "liquid fuel" imposed by chapter 243, and the amounts  
19      collected by such distributors as a fuel tax imposed  
20      by any Act of the Congress of the United States;
- 21      (9) Taxes on liquor imposed by chapter 244D on dealers  
22      holding permits under that chapter;

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- 1       (10) The amounts of taxes on cigarettes and tobacco  
2           products imposed by chapter 245 on wholesalers or  
3           dealers holding licenses under that chapter and  
4           selling the products at wholesale;
- 5       (11) Federal excise taxes imposed on articles sold at  
6           retail and collected from the purchasers thereof and  
7           paid to the federal government by the retailer;
- 8       (12) The amounts of federal taxes under chapter 37 of the  
9           Internal Revenue Code, or similar federal taxes,  
10          imposed on sugar manufactured in the State, paid by  
11          the manufacturer to the federal government;
- 12      (13) An amount up to, but not in excess of, \$2,000 a year  
13          of gross income received by any blind, deaf, or  
14          totally disabled person engaging, or continuing, in  
15          any business, trade, activity, occupation, or calling  
16          within the State; a corporation all of whose  
17          outstanding shares are owned by an individual or  
18          individuals who are blind, deaf, or totally disabled;  
19          a general, limited, or limited liability partnership,  
20          all of whose partners are blind, deaf, or totally  
21          disabled; or a limited liability company, all of whose  
22          members are blind, deaf, or totally disabled;

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1     ~~[(14) Amounts received by a producer of sugarcane from the~~  
2     ~~manufacturer to whom the producer sells the sugarcane,~~  
3     ~~where:-~~

4     ~~(A) The producer is an independent cane farmer, so~~  
5     ~~classed by the Secretary of Agriculture under the~~  
6     ~~Sugar Act of 1948 (61 Stat. 922, Chapter 519) as~~  
7     ~~the Act may be amended or supplemented;~~

8     ~~(B) The value or gross proceeds of the sale of the~~  
9     ~~sugar, and other products manufactured from the~~  
10    ~~sugarcane, are included in the measure of the tax~~  
11    ~~levied on the manufacturer under section 237-~~  
12    ~~13(1) or (2);~~

13    ~~(C) The producer's gross proceeds of sales are~~  
14    ~~dependent upon the actual value of the products~~  
15    ~~manufactured therefrom or the average value of~~  
16    ~~all similar products manufactured by the~~  
17    ~~manufacturer; and~~

18    ~~(D) The producer's gross proceeds of sales are~~  
19    ~~reduced by reason of the tax on the value or sale~~  
20    ~~of the manufactured products;~~

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1       ~~(15)~~] (14) Money paid by the State or eleemosynary child-  
2                   placing organizations to foster parents for their care  
3                   of children in foster homes; and

4       ~~[(16)]~~ (15) Amounts received by a cooperative housing  
5                   corporation from its shareholders in reimbursement of  
6                   funds paid by the corporation for lease rental, real  
7                   property taxes, and other expenses of operating and  
8                   maintaining the cooperative land and improvements;  
9                   provided that ~~[such a]~~ the cooperative corporation is  
10                  a corporation:

11               (A) Having one and only one class of stock  
12                       outstanding;

13               (B) Each of the stockholders of which is entitled  
14                       solely by reason of the stockholder's ownership  
15                       of stock in the corporation, to occupy for  
16                       dwelling purposes a house, or an apartment in a  
17                       building owned or leased by the corporation; and

18               (C) No stockholder of which is entitled (either  
19                       conditionally or unconditionally) to receive any  
20                       distribution not out of earnings and profits of  
21                       the corporation except in a complete or partial  
22                       liquidation of the corporation~~[; and~~

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~~(17) Amounts received by a contractor of the Patient-Centered Community Care program that is established by the United States Department of Veterans Affairs pursuant to title 38 United States Code section 8153, as amended, for the actual costs or advancements to third party health care providers pursuant to a contract with the United States]."~~

SECTION 2. Section 421H-4, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) The membership shares and cooperative fees are interests in real property for purposes of:

(1) Cooperative housing corporations under section 216 of the federal Internal Revenue Code of 1954, as amended; and

(2) Exemption from state general excise tax under section ~~[237-24(16).]~~ 237-24(15)."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

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1       SECTION 4. This Act, upon its approval, shall take effect  
2 on January 1, 2026.

3  
4 INTRODUCED BY:



5 BY REQUEST

JAN 21 2025

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**Report Title:**

General Excise Tax Exemptions; Sugar Cane Growers; TRICARE;  
Patient-Centered Community Care Programs

**Description:**

Repeals the general excise tax exemption for amounts received by independent sugar cane farmers. Repeals the general excise tax exemption for amounts received by a contractor of the Patient-Centered Community Care program that is established by the United States Department of Veterans Affairs pursuant to title 38 United States Code section 8153. Effective 1/1/2026.

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

## JUSTIFICATION SHEET

DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX EXEMPTIONS.

PURPOSE: To repeal general excise tax exemptions that are rarely claimed by the public.

MEANS: Amend sections 237-24 and 421H-4(c), Hawaii Revised Statutes.

JUSTIFICATION: This bill repeals the general excise tax exemption for amounts received by independent sugar cane farmers. So few taxpayers utilize this exemption that aggregated data cannot be released for risk of identifying the claimants. The exemption benefits so few taxpayers, and likely exempts so little income, that even the admittedly small revenue cost is outweighed by the costs to tax equity.

The bill also repeals the general excise tax exemption for amounts received by a contractor of the Patient-Centered Community Care program that is established by the United States Department of Veterans Affairs pursuant to title 38 United States Code section 8153. No taxpayers claimed the exemption in the past two years, indicating that it holds little benefit for the public. The potential benefits to any taxpayers that could utilize the exemption are furthermore outweighed by the costs to tax equity.

Section 421H-4(c), Hawaii Revised Statutes, is amended to conform to the amendments made to section 237-24, Hawaii Revised Statutes.

Impact on the public: None.

Impact on the department and other agencies: None.

GENERAL FUND: No Material Impact.

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OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: None.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: January 1, 2026.