
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. Section 23-75, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:
3 "(c) This section shall apply to the following:
4 (1) Section 237-24.3(1)--Amounts received from loading,
5 transporting, and unloading agricultural commodities
6 shipped interisland;
7 (2) Section 237-24.3(3) (A)--Amounts received from cargo
8 loading or unloading;
9 (3) Section 237-24.3(3) (B)--Amounts received from tugboat
10 and towage services;
11 (4) Section 237-24.3(3) (C)--Amounts received from the
12 transportation of pilots or government officials and
13 other maritime-related services;
14 (5) Section 238-1, paragraph (7) of the definition of
15 "use"--The value of oceangoing vehicles for
16 transportation from one point to another in the State;



1 (6) Section 238-3(g)--The value of imported intoxicating
2 liquor and cigarettes and tobacco products for sale to
3 persons or common carriers in interstate commerce; and

4 ~~[(7) Section 238-3(h)--The value of vessels constructed~~
5 ~~under section 189-25, relating to commercial fishing~~
6 ~~vessel loans, prior to July 1, 1969; and~~

7 ~~-(8)]~~ (7) Section 237-28.1--Gross proceeds from
8 shipbuilding and ship repair."

9 SECTION 2. Section 23-77, Hawaii Revised Statutes, is
10 amended by amending subsection (c) to read as follows:

11 "(c) This section shall apply to the following:

12 (1) Section 237-24.3(2)--Reimbursements to associations of
13 owners of condominium property regimes or nonprofit
14 homeowners or community associations for common
15 expenses;

16 ~~[(2) Section 237-24.5--Amounts received by exchanges or~~
17 ~~exchange members;~~

18 ~~-(3)]~~ (2) Section 237-25(a)(3)--Gross income received from
19 tangible personal property sales to state-chartered
20 credit unions;



1 ~~[-(4)-]~~ (3) Section 237-24.8--Amounts received by financial
2 institutions, trust companies, trust departments, or
3 financial corporations acting as interbank brokers;

4 ~~[-(5)-]~~ (4) Section 237-26--Gross proceeds of scientific
5 contractors and subcontractors;

6 ~~[-(6)-]~~ (5) Section ~~[238-3(j)]~~ 238-3(i)--The value of
7 property or services exempted by section 237-26,
8 relating to scientific contracts; and

9 ~~[-(7)-]~~ (6) Section 237-27--Amounts received by petroleum
10 product refiners from other refiners."

11 SECTION 3. Section 23-79, Hawaii Revised Statutes, is
12 amended by amending subsection (c) to read as follows:

13 "(c) This section shall apply to the following:

14 (1) Section 237-27.5--Gross proceeds from air pollution
15 control facility construction, reconstruction,
16 operation, use, maintenance, or furnishing;

17 (2) Section ~~[238-3(k)]~~ 238-3(j)--The value of air
18 pollution control facilities;

19 (3) Section 237-27.6--Amounts received by solid waste
20 processing, disposal, and electric generating facility



1 operators under sale and leaseback transactions with
2 political subdivisions that involve the facilities;

3 (4) Section 237-29--Gross income of qualified persons or
4 firms or nonprofits or limited distribution mortgagors
5 for certified or approved low-income housing projects;

6 (5) Section [~~238-3(j)~~] 238-3(i)--The value of property,
7 services, or contracting exempted by section 237-29,
8 relating to certified or approved housing projects;

9 (6) Section 431:7-208--Credit for low-income housing;

10 (7) Section 46-15.1(a)--Gross income from county low-
11 income housing projects; and

12 (8) Section 346-369--Compensation received by provider
13 agencies for homeless services or homeless facility
14 management."

15 SECTION 4. Section 235-110.7, Hawaii Revised Statutes, is
16 amended by amending subsection (a) to read as follows:

17 "(a) There shall be allowed to each taxpayer subject to
18 the tax imposed by this chapter a capital goods excise tax
19 credit, which shall be deductible from the taxpayer's net income
20 tax liability, if any, imposed by this chapter for the taxable
21 year in which the credit is properly claimed.



1 The amount of the tax credit shall be four per cent of the
2 cost of the eligible depreciable tangible personal property used
3 by the taxpayer in a trade or business and placed in service
4 within Hawaii after December 31, 2009.

5 In the case of a partnership, S corporation, estate, or
6 trust, the tax credit allowable is for eligible depreciable
7 tangible personal property that is placed in service by the
8 entity. The cost upon which the tax credit is computed shall be
9 determined at the entity level. Distribution and share of
10 credit shall be determined by rules.

11 In the case of eligible depreciable tangible personal
12 property for which a credit for sales or use taxes paid to
13 another state is allowable under section [~~238-3(i),~~] 238-3(h),
14 the amount of the tax credit allowed under this section shall
15 not exceed the amount of use tax actually paid under chapter 238
16 relating to the tangible personal property.

17 If a deduction is taken under section 179 (with respect to
18 election to expense certain depreciable business assets) of the
19 Internal Revenue Code of 1954, as amended, no tax credit shall
20 be allowed for that portion of the cost of property for which
21 the deduction was taken."



SECTION 5. Section 237-22, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) To the extent that any deduction, allocation, or other method to determine tax liability is necessary to comply with subsection (a), each taxpayer liable for the tax imposed by this chapter shall be entitled to full offset for the amount of legally imposed sales, gross receipts, or use taxes paid by the taxpayer with respect to the imported property, service, or contracting to another state and any subdivision thereof; provided that such offset shall not exceed the amount of general excise tax imposed under this chapter upon the gross proceeds of sales or gross income from the sale and subsequent sale of the imported property, service, or contracting. The amount of legally imposed sales, gross receipts, or use taxes paid by the taxpayer with respect to the import shall be first applied against any use tax, as permitted under section [~~238-3(i)~~], 238-3(h), and any remaining amount may be applied under this section for the same imported property, service, or contracting.

The director of taxation shall have the authority to implement this offset by prescribing tax forms and instructions that require tax reporting and payment by deduction, allocation,



1 or any other method to determine tax liability to the extent
2 necessary to comply with the foregoing.

3 The director of taxation may require the taxpayer to
4 produce the necessary receipts or vouchers indicating the
5 payment of the sales, gross receipts, or use taxes to another
6 state or subdivision as a condition for the allowance of this
7 offset."

8 SECTION 6. Section 237-24, Hawaii Revised Statutes, is
9 amended to read as follows:

10 **"§237-24 Amounts not taxable.** This chapter shall not
11 apply to the following amounts:

- 12 (1) Amounts received under life insurance policies and
13 contracts paid by reason of the death of the insured;
- 14 (2) Amounts received (other than amounts paid by reason of
15 death of the insured) under life insurance, endowment,
16 or annuity contracts, either during the term or at
17 maturity or upon surrender of the contract;
- 18 (3) Amounts received under any accident insurance or
19 health insurance policy or contract or under workers'
20 compensation acts or employers' liability acts, as
21 compensation for personal injuries, death, or



1 sickness, including also the amount of any damages or
2 other compensation received, whether as a result of
3 action or by private agreement between the parties on
4 account of the personal injuries, death, or sickness;

5 (4) The value of all property of every kind and sort
6 acquired by gift, bequest, or devise, and the value of
7 all property acquired by descent or inheritance;

8 (5) Amounts received by any person as compensatory damages
9 for any tort injury to the person, or to the person's
10 character reputation, or received as compensatory
11 damages for any tort injury to or destruction of
12 property, whether as the result of action or by
13 private agreement between the parties (provided that
14 amounts received as punitive damages for tort injury
15 or breach of contract injury shall be included in
16 gross income);

17 (6) Amounts received as salaries or wages for services
18 rendered by an employee to an employer;

19 (7) Amounts received as alimony and other similar payments
20 and settlements;



- 1 (8) Amounts collected by distributors as fuel taxes on
2 "liquid fuel" imposed by chapter 243, and the amounts
3 collected by such distributors as a fuel tax imposed
4 by any Act of the Congress of the United States;
- 5 (9) Taxes on liquor imposed by chapter 244D on dealers
6 holding permits under that chapter;
- 7 (10) The amounts of taxes on cigarettes and tobacco
8 products imposed by chapter 245 on wholesalers or
9 dealers holding licenses under that chapter and
10 selling the products at wholesale;
- 11 (11) Federal excise taxes imposed on articles sold at
12 retail and collected from the purchasers thereof and
13 paid to the federal government by the retailer;
- 14 (12) The amounts of federal taxes under chapter 37 of the
15 Internal Revenue Code, or similar federal taxes,
16 imposed on sugar manufactured in the State, paid by
17 the manufacturer to the federal government;
- 18 (13) An amount up to, but not in excess of, \$2,000 a year
19 of gross income received by any blind, deaf, or
20 totally disabled person engaging, or continuing, in
21 any business, trade, activity, occupation, or calling



1 within the State; a corporation all of whose
2 outstanding shares are owned by an individual or
3 individuals who are blind, deaf, or totally disabled;
4 a general, limited, or limited liability partnership,
5 all of whose partners are blind, deaf, or totally
6 disabled; or a limited liability company, all of whose
7 members are blind, deaf, or totally disabled;

8 (14) [~~Amounts~~] Prior to January 1, 2031, amounts received
9 by a producer of sugarcane from the manufacturer to
10 whom the producer sells the sugarcane, where:

11 (A) The producer is an independent cane farmer, so
12 classed by the Secretary of Agriculture under the
13 Sugar Act of 1948 (61 Stat. 922, chapter 519) as
14 the Act may be amended or supplemented;

15 (B) The value or gross proceeds of sale of the sugar,
16 and other products manufactured from the
17 sugarcane, is included in the measure of the tax
18 levied on the manufacturer under section
19 237-13(1) or (2);

20 (C) The producer's gross proceeds of sales are
21 dependent upon the actual value of the products



1 manufactured therefrom or the average value of
2 all similar products manufactured by the
3 manufacturer; and

4 (D) The producer's gross proceeds of sales are
5 reduced by reason of the tax on the value or sale
6 of the manufactured products;

7 (15) Money paid by the State or eleemosynary child-placing
8 organizations to foster parents for their care of
9 children in foster homes;

10 (16) Amounts received by a cooperative housing corporation
11 from its shareholders in reimbursement of funds paid
12 by such corporation for lease rental, real property
13 taxes, and other expenses of operating and maintaining
14 the cooperative land and improvements; provided that
15 such a cooperative corporation is a corporation:

16 (A) Having one and only one class of stock
17 outstanding;

18 (B) Each of the stockholders of which is entitled
19 solely by reason of the stockholder's ownership
20 of stock in the corporation, to occupy for



1 dwelling purposes a house, or an apartment in a
2 building owned or leased by the corporation; and

3 (C) No stockholder of which is entitled (either
4 conditionally or unconditionally) to receive any
5 distribution not out of earnings and profits of
6 the corporation except in a complete or partial
7 liquidation of the corporation; and

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

15 SECTION 7. Section 238-3, Hawaii Revised Statutes, is
16 amended to read as follows:

17 **"§238-3 Application of tax, etc.** (a) The tax imposed by
18 this chapter shall not apply to any property, services, or
19 contracting or to any use of the property, services, or
20 contracting that cannot legally be so taxed under the
21 Constitution or laws of the United States, but only so long as,



1 and only to the extent to which the State is without power to
2 impose the tax.

3 To the extent that any exemption, exclusion, or
4 apportionment is necessary to comply with the preceding
5 sentence, the director of taxation shall:

- 6 (1) Exempt or exclude from the tax under this chapter,
7 property, services, or contracting or the use of
8 property, services, or contracting exempted under
9 chapter 237; or
- 10 (2) Apportion the gross value of services or contracting
11 sold to customers within the State by persons engaged
12 in business both within and without the State to
13 determine the value of that portion of the services or
14 contracting that is subject to taxation under chapter
15 237 for the purposes of section 237-21.

- 16 (b) The tax imposed by this chapter shall not apply to any
17 use of property, services, or contracting the transfer of which
18 property, services, or contracting to, or the acquisition of
19 which by, the person so using the same, has actually been or
20 actually is taxed under chapter 237.



1 (c) The tax imposed by this chapter shall be paid only
2 once upon or in respect of the same property, services, or
3 contracting; provided that nothing in this chapter contained
4 shall be construed to exempt any property, services, or
5 contracting, or the use thereof from taxation under any other
6 law of the State.

7 (d) The tax imposed by this chapter shall be in addition
8 to any other taxes imposed by any other laws of the State,
9 except as otherwise specifically provided herein; provided that
10 if it be finally held by any court of competent jurisdiction,
11 that the tax imposed by this chapter may not legally be imposed
12 in addition to any other tax or taxes imposed by any other law
13 or laws with respect to the same property, services, or
14 contracting, or the use thereof, then this chapter shall be
15 deemed not to apply to the property, services, or contracting,
16 or the use thereof under such specific circumstances, but such
17 other laws shall be given full effect with respect to the
18 property, services, or contracting, or use.

19 (e) The tax imposed by this chapter shall not apply to any
20 use of property exempted by section 238-4.



1 (f) The tax imposed by this chapter shall not apply to any
2 use or consumption of aircraft and vessels, the transfer of
3 which aircraft or vessel to, or the acquisition of which by, the
4 person so using or consuming the same, or the rental for the use
5 of the aircraft or vessel, has actually been or actually is
6 taxed under chapter 237.

7 (g) The tax imposed by this chapter shall not apply to any
8 intoxicating liquor as defined in chapter 244D and cigarettes
9 and tobacco products as defined in chapter 245, imported into
10 the State and sold to any person or common carrier in interstate
11 commerce, whether ocean-going or air, for consumption
12 out-of-state by the person, crew, or passengers on the shipper's
13 vessels or airplanes.

14 ~~[(h) The tax imposed by this chapter shall not apply to~~
15 ~~any use of vessels constructed under section 189-25 prior to~~
16 ~~July 1, 1969.~~

17 ~~-(i)]~~ (h) Each taxpayer liable for the tax imposed by this
18 chapter on property, services, or contracting shall be entitled
19 to full credit for the combined amount or amounts of legally
20 imposed sales or use taxes paid by the taxpayer with respect to
21 the same transaction and property, services, or contracting to



1 another state and any subdivision thereof, but the credit shall
2 not exceed the amount of the use tax imposed under this chapter
3 on account of the transaction and property, services, or
4 contracting. The director of taxation may require the taxpayer
5 to produce the necessary receipts or vouchers indicating the
6 payment of the sales or use tax to another state or subdivision
7 as a condition for the allowance of the credit.

8 ~~[(j)]~~ (i) The tax imposed by this chapter shall not apply
9 to any use of property, services, or contracting exempted by
10 section 237-26 or section 237-29.

11 ~~[(k)]~~ (j) The tax imposed by this chapter shall not apply
12 to any use of air pollution control facility exempted by section
13 237-27.5."

14 SECTION 8. Section 237-24.5, Hawaii Revised Statutes, is
15 repealed.

16 ~~["§237-24.5 Additional exemptions. (a) In addition to~~
17 ~~the amounts exempt under section 237-24, this chapter shall not~~
18 ~~apply to amounts received by:~~

19 ~~(1) An exchange from:~~

20 ~~(A) Transaction fees charged exchange members by the~~
21 ~~exchange for:~~



- 1 ~~(i) The sale or purchase of securities or~~
2 ~~products, or both, bought or sold on an~~
3 ~~exchange by exchange members for their own~~
4 ~~account or an account for which they have~~
5 ~~responsibility as an agent, broker, or~~
6 ~~fiduciary;~~
- 7 ~~(ii) Order book executions made for purposes of~~
8 ~~effecting transactions; and~~
- 9 ~~(iii) Trade processing performed by an exchange in~~
10 ~~matching trades, keypunching, record~~
11 ~~keeping, post cashiering, and notarization;~~
- 12 ~~(B) Membership dues, fees, charges, assessments, and~~
13 ~~finer from individuals or firms, including~~
14 ~~charges for firm symbols (member identification),~~
15 ~~application processing, registration, initiation,~~
16 ~~membership transfers, floor or post privileges,~~
17 ~~transaction time extensions, expediting~~
18 ~~transactions, crossover trades (trading out of~~
19 ~~assigned functions) and rule infractions;~~



1 ~~(C) Service fees charged to members including fees~~
2 ~~for communications, badges, forms, documents, and~~
3 ~~reports;~~

4 ~~(D) Listing fees and listing maintenance fees charged~~
5 ~~to companies that wish to be listed and have~~
6 ~~their securities or products traded on the~~
7 ~~exchange; and~~

8 ~~(E) Participation in the communication network~~
9 ~~consortium operated collectively by United States~~
10 ~~exchanges or other markets recognized by the~~
11 ~~Securities and Exchange Commission, the~~
12 ~~Commodities Futures Trading Commission, or~~
13 ~~similar regulatory authorities outside the United~~
14 ~~States that provides last sale and quote~~
15 ~~securities information to subscribers or that~~
16 ~~connects such markets or exchanges for purposes~~
17 ~~of data transmission;~~

18 ~~(2) Exchange members by reason of executing a securities~~
19 ~~or product transaction on an exchange; provided that~~
20 ~~this exemption shall apply only to amounts received by~~
21 ~~exchange members from brokers or dealers registered~~



1 ~~with the Securities and Exchange Commission, from~~
2 ~~futures commission merchants, brokers, or associates~~
3 ~~registered with the Commodities Futures Trading~~
4 ~~Commission, or from similar individuals or firms~~
5 ~~registered with similar regulatory authorities outside~~
6 ~~the United States; and~~

7 ~~(3) Exchange members as proceeds from the sale of their~~
8 ~~exchange memberships.~~

9 ~~(b) As used in this section:~~

10 ~~"Exchange" means an exchange or board of trade as defined~~
11 ~~in 15 United States Code section 78c(a) (1) or in 7 United States~~
12 ~~Code section 7, respectively, which is subject to regulation by~~
13 ~~the Securities and Exchange Commission or the Commodities~~
14 ~~Futures Trading Commission or an organization subject to similar~~
15 ~~regulation under the laws of a jurisdiction outside the United~~
16 ~~States.~~

17 ~~"Exchange member" means an individual or firm that is~~
18 ~~qualified by an exchange as a member and pays membership dues to~~
19 ~~an exchange in order to trade securities or products on an~~
20 ~~exchange.~~



1 ~~"Securities" means securities as defined in 15 United~~
2 ~~States Code section 78c and "products" means contracts of sale~~
3 ~~of commodities for future delivery, futures contracts, options,~~
4 ~~calls, puts, and similar rights as defined in 7 United States~~
5 ~~Code section 2, which securities or products are permitted to be~~
6 ~~traded on an exchange."]~~

7 SECTION 9. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 10. This Act shall take effect on July 1, 2025.



Report Title:

Taxation; General Excise Tax; Use Tax; Sugarcane Producers;
Vessel Use; Securities Exchange Fees, Dues, and Amounts Received

Description:

Amends and repeals certain exemptions under the general excise
tax and use tax laws. (CD1)

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not legislation or evidence of legislative intent.*

