

JAN 23 2025

A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTIONS.

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

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

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

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

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INTRODUCED BY: MM.D. VA

5

BY REQUEST

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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

SB. NO. 1468

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.