

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304, Honolulu, Hawaii 96813, Telephone 536-4587, [www.tfhawaii.org](http://www.tfhawaii.org)

## 2007 TAX ACTS

Administrative Proposals			
Dept/No.	Description	Senate	House
TAX-11	<b>INCOME</b> - Annual conformity measure that updates references to the federal Code within subtitle A of Chapter 1. SD-1 provides that the retroactive and prospective effective dates contained in the congressional acts relating to the Internal Revenue Code shall be operative for HRS chapter 235.		1411, SD-1  <b>ACT 84,</b> 5/22/07
TAX-20	<b>MISCELLANEOUS</b> - Provides for an emergency appropriation to cover the costs incurred for the administration of the county surcharge on the general excise tax. Appropriates \$5,041,691 in general funds for fiscal 2007.		1414, SD-2 <b>ACT 45,</b> 4/27/07
ATG-31	<b>TAX APPEALS</b> - Clarifies that an appeal to the tax appeal court shall be considered properly commenced by the filing of the taxpayer, the county administrator or tax director of a written notice of appeal with the tax appeal court within 30 days after the filing of a decision of the state board of review or county administrative body, and service of the notice of appeal on the director of taxation and in the case of an appeal involving the county as a party, the real property assessment division of the county involved		1256, SD-1  <b>ACT 154,</b> 6/18/07
CCA-18	<b>INSURANCE PREMIUMS</b> - Provides that the maximum aggregate tax on gross premiums to be paid by a captive insurance company shall not exceed \$200,000 annually		1323, SD-1 <b>ACT 224,</b> 6/28/07

## Legislative Tax Proposals

TAX	Bill No.	Description	Status
<b>INCOME</b>	SB 148, CD-2	Provides for a one-time tax credit to satisfy the constitutional mandate for a tax refund or tax credit whenever the balance in the general fund exceeds 5%. Provides an inversely graduated schedule of tax credits for joint returns ranging from \$160 for those with less than \$5,000 of adjusted gross income to \$90 for those with less than \$60,000 of adjusted gross income; for head of households the amount ranges from \$140 to \$70; and for single returns from \$65 to \$25. In all cases, there is no credit for those with incomes of \$60,000 or more. Adjusted gross income is defined as federal adjusted gross income.	<b>ACT 210,</b> 6/26/07
	SB 600, CD-1	Proposes an income tax exclusion of 100% of the gain derived by a fee simple owner resulting from the sale of a leased fee interest in units within a condominium project, cooperative project, or planned unit development to the association of apartment owners or the residential cooperative corporation of the leasehold units; applicable to tax years beginning after 12/31/07 and ending prior to 1/1/13	<b>ACT 166,</b> 6/8/07
	SB 1222, CD-1	Clarifies that renewable energy technology system tax credits shall only be available to those systems installed and placed in service in the state and specifies that shareholders of an S corporation shall be allowed the credit equal to the shareholder's pro rata share of the tax credit earned by the S corporation in the state. Applies to tax years beginning after 12/31/06.	<b>ACT 151,</b> 6/7/07

TAX	Bill No.	Description	Status
	SB 1882, CD-1	Renames the low-income credit the food/excise refundable tax credit and restructures the credit schedule by expanding the number of brackets from three to seven ranging from under \$5,000 of adjusted gross income to \$40,000 but under \$50,000 of adjusted gross income with credit amounts declining from \$85 to \$25 as AGI increases, with no credit for those with \$50,000 or more of adjusted gross income. Defines adjusted gross income as it is defined in the federal Code. Effective for tax years beginning after 12/31/07.	<b>ACT 211,</b> 6/26/07
	HB 506, CD-1	Extends the sunset date of the ethanol facility income tax credit from 1/1/12 to 1/1/17, effective 7/1/07	<b>ACT 128,</b> 6/4/07
	HB 1631, CD-1	Requires a qualified high technology business that accepts an investment for which a high technology business investment tax credit may be claimed to file an annual survey, by June 30 of each calendar year following the five calendar years in which the credit for the investment may be claimed. Failure to file the annual survey shall be subject to a penalty of \$1,000 per month up to a \$6,000 maximum. The department of taxation is to prepare for the legislature an annual report from the survey information collected by September 1 of each year. Directs the department to report on the effectiveness of the high technology investment tax credit to the legislature by December 1 of each year. The department is also required to prepare a report to the legislature by 10/31/07 summarizing the data submitted by businesses on form N-317 for all previous years available. Provides that by accepting an investment for which the credit is allowed, a qualified high tech business consents to the public disclosure of its name and its status as a beneficiary of the credit. This act shall take effect on 7/1/07 and be applicable to all investments received by a qualified high technology business after 6/30/07 and shall be repealed on 1/1/11.	<b>ACT 206,</b> 6/21/07
<b>GENERAL EXCISE &amp; USE</b>	SB 678, CD-1	Exempts from the general excise tax amounts received as reimbursements of costs by the operator of the Hawaii convention center from the Hawaii tourism authority. Effective upon approval.	<b>ACT 173,</b> 6/13/07
	HB 317, CD-1	Provides that amounts received by a professional employment organization (PEO) from a client company in the course of providing professional employment services which are disbursed as employee wages, salaries, payroll taxes, insurance premiums, and benefits are exempt from the general excise tax. Effective 7/1/07 for gross income received after 06/30/07.	<b>ACT 225,</b> 6/28/07
	HB 1719, CD-1	Provides that amounts received by a submanager of an association of apartment owners of a condominium property regime or nonprofit homeowners or community association as reimbursement for payment of common expenses shall not be subject to general excise taxation. Also provides that the general excise tax shall not be applicable to amounts received by a timeshare association and by the suboperator of a hotel from a timeshare association or from the operator of the hotel which are disbursed for employee wages, salaries, payroll taxes, insurance premiums and benefits. This measure takes effect on 1/1/08 and is repealed on 12/31/09.	<b>ACT 239,</b> 7/2/07

<b>TAX</b>	<b>Bill No.</b>	<b>Description</b>	<b>Status</b>
	HB 1757, CD-2	Exempts from the general excise tax the gross proceeds arising from the sale of alcohol fuels for consumption or use by the purchaser and not for resale. Defines "alcohol fuels" and specifies that any savings realized from the exemption shall be passed on to the end consumer with any violation of this provision subject to a fine of \$100,000 and shall be deemed an unfair or deceptive act or practice. Provides for a 1 cent increase per gallon for: (1) diesel oil; (2) aviation fuel sold for use in airplanes, and (3) gasoline. Effective 7/1/07 and repealed on 6/30/09. Also increases the fines for violations of length and gross weight requirements of vehicles.	<b>ACT 209,</b> 6/26/07
<b>TAT</b>	HB 575, CD-1	Provides that any excess TAT revenues remaining in the tourism special fund shall be deposited into the newly created tourism emergency trust fund, beginning on 7/1/07, to maintain a fund balance of \$5 million	<b>ACT 201,</b> 6/20/07
<b>FUEL</b>	SB 992, CD-1	Provides that naphtha sold for use in a power generating facility shall be taxed at 1 cent per gallon. The rate provided for naphtha for use in power generating facilities shall be applied retroactively and shall be repealed on 12/31/09.	<b>ACT 105,</b> 5/29/07
	HB 1757, CD-2	Exempts from the general excise tax the gross proceeds arising from the sale of alcohol fuels for consumption or use by the purchaser and not for resale. Defines "alcohol fuels" and specifies that any savings realized from the exemption shall be passed on to the end consumer with any violation of this provision subject to a fine of \$100,000 and shall be deemed an unfair or deceptive act or practice. Provides for a 1 cent increase per gallon for: (1) diesel oil; (2) aviation fuel sold for use in airplanes, and (3) gasoline. Effective 7/1/07 and repealed on 6/30/09. Also increases the fines for violations of length and gross weight requirements of vehicles.	<b>ACT 209,</b> 6/26/07
<b>TOBACCO</b>	SB 139, CD-1	Clarifies that the tobacco tax amounts earmarked by Act 316, SLH 2006, shall be assessed and allocated on a per cigarette basis with the change applicable to amounts received prior to October in all cases of the phased-in increases	<b>ACT 102,</b> 5/28/07
<b>CONVEY- ANCE</b>	SB 1917, CD-1	Amends Act 100, SLH 2006, to extend the sunset date of the increase (30% to 50%) in the earmarking of the conveyance tax revenues to the rental housing trust fund from 6/30/07 to 6/30/08. This provision shall take effect on 6/29/07.	<b>ACT 222,</b> 6/28/07
<b>MOTOR VEHICLE</b>	HB 895, CD-1	Allows the counties to increase the amount of the highway beautification fee from \$2 to up to \$10 and broadens the use of the highway beautification fund to defray storage costs of abandoned vehicles effective 7/1/07. Also increases the amounts that may be charged for towing and storage of abandoned vehicles and decreases the number of days in which the owner of the abandoned vehicle must be notified. Eliminates unhooking fees.	<b>ACT 269,</b> 7/10/07 (without Gov. sig.)

<b>TAX</b>	<b>Bill No.</b>	<b>Description</b>	<b>Status</b>
<b>RENTAL MV &amp; TOUR VEHICLE SURCH.</b>	SB 1133, CD-1	Extends the \$3 per day rental motor vehicle surcharge fee for one year to 08/31/08. Establishes a joint legislative task force to conduct a review of the state highway fund and submit a report to the 2008 legislative session.	<b>ACT 258,</b> 7/5/07
<b>MISC.</b>	SB 1066, CD-1	Establishes a fee of \$1 for each 20 foot equivalent unit per container for the inspection, quarantine, and eradication of invasive species contained in any marine commercial container shipment. Establishes a pest inspection, quarantine, and eradication fund into which the fee shall be deposited.	<b>ACT 7,</b> <b>Sp. Sess.,</b> 7/10/07
	SB 1820, CD-1	Establishes a separate lease payments for schools account within the state educational facilities improvement special fund which shall be used for the lease payments on new schools. Such lease payments shall be exempt from the state procurement code and are restricted to lease payments on new schools within the DOE's current six-year capital improvement program. This provision shall not be required if the legislature appropriated planning and design funds prior to the effective date of this act and for which a private developer is willing to enter into a lease-purchase agreement with the DOE within 12 months of the effective date of this act.	<b>ACT 220,</b> 6/28/07
	HB 122, CD-1	Requires any entity that receives state money to provide a public report on the research to the department of budget and finance which shall develop and operate a searchable website to publish such information. Stipulates that classified information shall not be disclosed.	<b>ACT 272,</b> 7/10/07 (without Gov. sig.)