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DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2011-22

RE: General Excise Tax Rate Applicable to Previously Exempt Transactions Under Act 105, Session Laws of Hawaii 2011 (Act 105)

Act 105 temporarily suspends certain general excise tax and use tax exemptions for the period from July 1, 2011 through June 30, 2013. The suspension means that the transactions will no longer be exempt from the general excise tax or use tax.

Section 2 of Act 105 provides that the previously exempt income is subject to the general excise tax at the rate of 4%. Therefore, whether the transaction could qualify as a wholesale transaction taxable at 0.5% is irrelevant since Act 105 imposes the general excise tax at the 4% rate on the previously exempt income. However, amounts for which the general excise tax exemption is temporarily suspended will continue to be exempt from the 0.5% county surcharge. See Tax Information Release No. 2011-02.

Section 3 of Act 105 provides that the previously exempt property, services, or contracting for use in Hawaii is subject to the use tax at the rate of 4%. Therefore, whether the transaction could qualify to be taxable at 0.5% is irrelevant since Act 105 imposes the use tax at the 4% rate on the previously exempt property, services, or contracting. However, amounts for which the use tax exemption is temporarily suspended will continue to be exempt from the 0.5% county surcharge.

Act 105 took effect on July 1, 2011 and is repealed on June 30, 2013.

For more information on this Act, please contact the Rules Office at 808-587-1577 or e-mail Tax.Technical.Section@hawaii.gov.

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