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DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2013-10

RE: Act 46, Session Laws of Hawaii 2013, Relating to the Imposition of Use Tax on Imported Contracting

On April 24, 2013, Governor Neil Abercrombie signed into law Senate Bill 1190, S.D. 1, as Act 46, Session Laws of Hawaii 2013 (Act 46). Act 46 takes effect on July 1, 2013.

Act 46 amends Hawaii Revised Statutes (HRS) §§238-1 and 238-2.3, to allow for the consistent treatment of imported contracting under both the Use Tax and the General Excise Tax (GET).

HRS §238-1 is amended by deleting contracting imported or purchased by a licensed contractor from the list of activities not included in the term "use." HRS §238-2.3 is amended by adding subparagraph (1)(C), by providing for no Use Tax imposition where a licensed contractor imports or purchases contracting and that contracting becomes an identifiable element of the finished work or project, provided that: (1) the gross proceeds derived by the contractor are subject to GET as contracting; and (2) the contractor could have deducted the amounts paid to the subcontractor under HRS §237-13(3)(B), if the subcontractor was subject to GET.

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

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