

Unfortunately, the proposed bill mentioned below was passed by the legislature and became law, effective July 1, 2011.

UPDATE ON HAWAII GENERAL EXCISE TAX

as of 04.19.11

In lieu of increasing the state general excise tax (GET), the State of Hawaii Senate and Legislature are currently drafting bills that would eliminate the “excise tax exemption” for the construction and other businesses currently afforded this status.

Lawmakers are quoted as saying:

“I was just trying to find some fairness and equity; why raise the GET when we are exempting these entities. Please pay your fair share of the general excise tax, and that was the objective and goal.”

House Speaker Calvin Say said that the affected industries received the exemption as a special interest in years past.

For contractors, the current exemption in place prevents creating a pyramid effect on the GET.

For example, a general contractor with a \$1 million contract who performs work on \$500,000 of the contract would pay GET on that amount, while a subcontractor who performs the remaining \$500,000 of work would pay GET on that amount.

Under the measure being considered, the general contractor would have to pay GET on the full \$1 million, and the subcontractor also would have to pay on the \$500,000.

Opposing the bill is general contractors, subcontractors, realtors, architects, engineers, the cruise industry, the shipping industry, airlines, chambers of commerce and at least one labor union.

Supporting the measures were dozens of current and retired state workers.

Lipps & Son strongly opposes any measure that will increase the GET on any construction, shipping or travel related industries. We do not believe the current system “exempts” us from the GET as we (us and our subcontractors combined) currently pay \$1 million in GET on \$1 million of work. We do not believe taxing multiple times on the same contract amount should be considered “paying our fair share.”

Source – Pacific Business News April 15, 2011

Senate Bill 754

House Bill 793