

COVID-19 SPECIAL PROJECTS

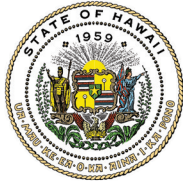
Report on General Excise Tax Exemptions Suspended in FY2012 – FY2013

A Report to the Legislature
of the State of Hawai'i

Report No. 20-05
May 2020



OFFICE OF THE AUDITOR
STATE OF HAWAI'I



OFFICE OF THE AUDITOR STATE OF HAWAII

Constitutional Mandate

Pursuant to Article VII, Section 10 of the Hawai'i State Constitution, the Office of the Auditor shall conduct post-audits of the transactions, accounts, programs and performance of all departments, offices and agencies of the State and its political subdivisions.

The Auditor's position was established to help eliminate waste and inefficiency in government, provide the Legislature with a check against the powers of the executive branch, and ensure that public funds are expended according to legislative intent.

Hawai'i Revised Statutes, Chapter 23, gives the Auditor broad powers to examine all books, records, files, papers and documents, and financial affairs of every agency. The Auditor also has the authority to summon people to produce records and answer questions under oath.

Our Mission

To improve government through independent and objective analyses.

We provide independent, objective, and meaningful answers to questions about government performance. Our aim is to hold agencies accountable for their policy implementation, program management, and expenditure of public funds.

Our Work

We conduct performance audits (also called management or operations audits), which examine the efficiency and effectiveness of government programs or agencies, as well as financial audits, which attest to the fairness of financial statements of the State and its agencies.

Additionally, we perform procurement audits, sunrise analyses and sunset evaluations of proposed regulatory programs, analyses of proposals to mandate health insurance benefits, analyses of proposed special and revolving funds, analyses of existing special, revolving and trust funds, and special studies requested by the Legislature.

We report our findings and make recommendations to the governor and the Legislature to help them make informed decisions.

For more information on the Office of the Auditor, visit our website:
<http://auditor.hawaii.gov>

Foreword

In 2020, a novel coronavirus that causes COVID-19 forced the State of Hawai‘i to take unprecedented measures to protect public health, at great cost to the Islands’ economy. Efforts to mitigate the impact of the global pandemic shuttered all but essential local businesses and slowed tourism to a trickle. Job loss and wage reductions quickly followed. Tax collections – from general excise taxes, transient accommodations taxes, and income taxes, among others – are projected to tilt sharply downward. Under these extraordinary conditions, the Office of the Auditor is reviewing prior audit reports and other information to identify potential revenue sources, including possible suspension of General Excise Tax exemptions. In 2011, the Legislature passed Act 105, which temporarily suspended a number of General Excise Tax exemptions for FY2012-FY2013. We present the following data on the provisions suspended pursuant to Act 105 for informational purposes should a measure comparable to Act 105 be considered as a response to the economic impact of the COVID-19 pandemic. This report should not be construed as a recommendation by us on tax policy.

Leslie H. Kondo
State Auditor



COVID-19 SPECIAL PROJECTS

Report on General Excise Tax Exemptions Suspended in FY2012 – FY2013

Introduction

In 2011, to address the economic crisis then facing the State of Hawai‘i, the Legislature passed Act 105 (Session Laws of Hawai‘i (SLH) 2011), which suspended 31 General Excise Tax (GET) and Use Tax exemptions and exclusions for a two-year period starting July 1, 2011 (FY2012 and FY2013).

In this report, we compile general information about Act 105 and the tax provisions that were suspended for FY2012 and FY2013. We also present data collected and reported by the Hawai‘i State Department of Taxation (DoTax) in its 2018 *Hawai‘i General Excise & Use Tax Exemptions* report on the total amounts claimed, total number of claimants, and amount of “tax expenditure,” or estimated forgone revenue, for the GET exemptions and exclusions that were temporarily suspended by Act 105 (Table 1). In addition, for illustrative purposes, Table 1 also includes tax expenditure calculations based on actual rates claimed.

In this report, we compile general information about Act 105 and the tax provisions that were suspended for FY2012 and FY2013 for informational purposes should a measure comparable to Act 105 be considered as a possible response to the economic impacts of the COVID-19 pandemic.

We present the following data on the provisions suspended pursuant to Act 105 for informational purposes should a measure comparable to Act 105 be considered as a response to the economic impacts of the COVID-19 pandemic. However, this report should not be construed as a recommendation by us on tax policy. We also caution that the tax expenditure numbers reported herein do not and are not intended to represent the amount of additional tax revenue the state will receive should a similar suspension of tax provisions be enacted in the future. The actual amount of tax revenue will depend on other economic factors as well as changes in taxpayer behavior caused by the tax provision's suspension.

Notes and Methodology

The tax expenditure figures reported by DoTax are based on assumptions that the department admits are subject to debate. DoTax's methodology for estimating many tax expenditure costs assumes that many exempted or excluded business activities would be taxed at the 0.5 percent wholesale GET rate, "but for" the exemption, making the assumption that all "business-to-business" transactions should be taxed equally. Therefore, many DoTax expenditure estimates are based on this lower wholesale rate. However, as DoTax noted in its 2018 *Hawai'i General Excise & Use Tax Exemptions* report, such an assumption may not always agree with the actual tax rates that apply under current law; i.e., many of these amounts are actually claimed at the higher 4 percent retail rate. There are also two instances where DoTax applies the 4 percent retail rate instead – Sections 209E-11, Hawai'i Revised Statutes (HRS) (Enterprise Zones) and 237-24.3(9), HRS (Labor Organizations) – deeming these to be transactions between businesses and final consumers "ideally" taxed at that rate.

For discussion purposes, we also provide in Table 1 tax expenditure figures based on the actual rates under which the exemption was claimed. For example, in 2018, contractors claiming the Section 209E-11, HRS, exemption for enterprise zone construction costs claimed \$5.25 million in proceeds at the 0.5 percent wholesale rate, and \$30.81 million in proceeds at the 4 percent retail rate. DoTax estimates a \$180,000 tax expenditure for this exemption, which is the entire amount (\$36.06 million) multiplied by the 0.5 percent wholesale rate. In contrast, applying the actual rates reported results in a calculated tax expenditure of \$1.26 million for this exemption.

However, two of these exemptions – provided under Sections 237-13(3)(B), HRS (amounts deducted from the gross income received by contractors from subcontractors) and 237-13(3)(C), HRS

Exemptions

POLICYMAKERS USE tax preferences to promote various economic and social goals. Such provisions may allow money that would otherwise be spent on taxes to remain in the hands of taxpayers. For example, taxpayers who own or operate businesses may use those tax savings to create jobs. Other preferences may provide economic support to specific segments of society.

Exemptions refer to receipts from taxable activities or goods that, for policy purposes, are not subject to tax collection.



Example: Contractors can deduct payments made to subcontractors from their gross revenue and avoid GET liability on those amounts. The exemption for amounts paid by contractors to subcontractors shifts payment of GET at the 4 percent retail rate on those amounts to the subcontractor, effectively eliminating the pyramiding of GET. The Legislature hoped that the reduced taxes paid by general contractors would lower the cost of housing.

Exemptions come at a cost. Allowing certain taxpayers to reduce the amount of gross revenues that are subject to GET reduces the amount of tax revenues that might otherwise be available for the State to spend.

(reimbursements received by federal cost-plus contractors for the costs of purchased materials, plant and equipment) – are designed to shift liability for the 4 percent retail GET rate to another taxpayer rather than eliminate liability completely. We concluded that calculating expenditures for these two provisions at the 0.5 percent wholesale rate is a more accurate representation of the tax expenditures associated with those exemptions.

Overall, the use of this methodology results in a total estimated tax expenditure for exemptions temporarily suspended under Act 105 at \$254.55 million in 2018.

Tax provisions temporarily suspended pursuant to Act 105, SLH 2011

The following is a listing of 2018 data for tax provisions suspended for FY2012 and FY2013 pursuant to Act 105:



Section 237-13(3)(B), HRS

Amounts deducted from the gross income received by contractors from subcontractors

2018 No. of Taxpayers Claiming Exemption*	2,294	
2018 Total Amount Claimed**		\$ 3,717,037,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 219,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 3,716,818,000
2018 Tax Expenditure as reported by DoTax***		\$ 18,585,000 (0.5 percent)

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 4.



Section 237-13(3)(C), HRS

Reimbursements received by federal cost-plus contractors for the costs of purchased materials, plant and equipment

2018 No. of Taxpayers Claiming Exemption*	40	
2018 Total Amount Claimed**		\$ 70,385,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 87,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 70,297,000
2018 Tax Expenditure as reported by DoTax***		\$ 352,000 (0.5 percent)

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1. (total amount rounded to nearest 1,000)

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 4.



Section 237-13(6)(D), HRS

Gross receipts of home service providers acting as service carriers providing mobile telecommunications services to other home service providers

2018 No. of Taxpayers Claiming Exemption		Not Tracked
2018 Total Amount Claimed		Not Tracked
2018 Amounts Claimed at the 0.5% Wholesale Rate		Not Tracked
2018 Amounts Claimed at the 4% Retail Rate		Not Tracked
2018 Tax Expenditure as reported by DoTax		Not Tracked
2018 Tax Expenditure applying actual claimed rates		Cannot Calculate



Section 237-16.5, HRS

Amounts deducted from the gross income of real property lessees because of receipt from sublessees

2018 No. of Taxpayers Claiming Exemption*	825	
2018 Total Amount Claimed**		\$ 169,995,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 108,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 169,887,000
2018 Tax Expenditure as reported by DoTax***		\$ 0.00
2018 Tax Expenditure applying actual claimed rates		\$ 6,796,020

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 7.

DoTax noted that provisions listed in Table 7 are items not traditionally included in an excise tax base, and did not assign a tax expenditure amount.



Section 237-16.8, HRS

The value or gross income received by nonprofit organizations from certain conventions, conferences, trade show exhibits, or display spaces

2018 No. of Taxpayers Claiming Exemption*	39	
2018 Total Amount Claimed**		\$ 18,493,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 6,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 18,477,000
2018 Tax Expenditure as reported by DoTax***		\$ 92,000 (0.5 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 739,110

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1. Includes \$10,000 claimed at insurance GET rate.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 4.



Section 237-24(14), HRS

Amounts received by certain sugarcane producers

2018 No. of Taxpayers Claiming Exemption		Confidential per DoTax Policy*
2018 Total Amount Claimed		Confidential per DoTax Policy
2018 Amounts Claimed at the 0.5% Wholesale Rate		Confidential per DoTax Policy
2018 Amounts Claimed at the 4% Retail Rate		Confidential per DoTax Policy
2018 Tax Expenditure as reported by DoTax		Confidential per DoTax Policy
2018 Tax Expenditure applying actual claimed rates		Confidential per DoTax Policy

*Data relating to exemptions claimed by fewer than ten taxpayers is not reported based on DoTax policy and federal guidelines on taxpayer confidentiality.



Section 237-24.3(1), HRS

Amounts received from the loading, transportation, and unloading of agricultural commodities shipped interisland

2018 No. of Taxpayers Claiming Exemption*	13	
2018 Total Amount Claimed**		\$ 8,637,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 8,568,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 69,000
2018 Tax Expenditure as reported by DoTax***		\$ 43,000 (0.5 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 45,600

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 4.



Section 237-24.3(2), HRS

(Repealed under Act 160, 2013)

Amounts received from the sale of intoxicating liquor, cigarettes and tobacco products, and agricultural, meat, or fish products to persons or common carriers engaged in interstate or foreign commerce

2018 No. of Taxpayers Claiming Exemption	N/A	
2018 Total Amount Claimed		N/A
2018 Amounts Claimed at the 0.5% Wholesale Rate		N/A
2018 Amounts Claimed at the 4% Retail Rate		N/A
2018 Tax Expenditure as reported by DoTax		N/A
2018 Tax Expenditure applying actual claimed rates		N/A



Section 237-24.3(4), HRS

(Now Section 237-24.3(3)(A), (B) and (C), HRS under Act 160 (2013))

- (A) Amounts received or accrued from the loading or unloading of cargo
- (B) Amounts received or accrued from tugboat and towage services
- (C) Amounts received or accrued from the transportation of pilots or government officials and other maritime related services

2018 No. of Taxpayers Claiming Exemption*	46	
2018 Total Amount Claimed**		\$ 681,665,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 106,440,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 575,225,000
2018 Tax Expenditure as reported by DoTax***		\$ 3,408,000 (0.5 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 23,541,200

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 4.



Section 237-24.3(10), HRS

(Now Section 237-24.3(9), HRS under Act 160 (2013))

Amounts received by labor organizations for real property leases

2018 No. of Taxpayers Claiming Exemption*	22	
2018 Total Amount Claimed**		\$ 31,232,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 122,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 31,110,000
2018 Tax Expenditure as reported by DoTax***		\$ 1,249,000 (4 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 1,245,010

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 5.



Section 237-24.3(12), HRS

(Now Section 237-24.3(11), HRS under Act 160 (2013))

Amounts received as rent for aircraft or aircraft engines used for interstate air transportation

2018 No. of Taxpayers Claiming Exemption*	13	
2018 Total Amount Claimed**		\$ 49,277,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 48,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 49,229,000
2018 Tax Expenditure as reported by DoTax***		\$ 246,000 (0.5 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 1,969,400

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 4.

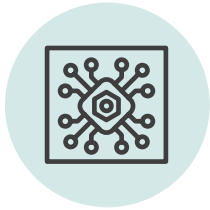


Section 237-24.5, HRS

Amounts received by exchanges and exchange members

2018 No. of Taxpayers Claiming Exemption		Confidential per DoTax policy*
2018 Total Amount Claimed		Confidential per DoTax policy
2018 Amounts Claimed at the 0.5% Wholesale Rate		Confidential per DoTax policy
2018 Amounts Claimed at the 4% Retail Rate		Confidential per DoTax policy
2018 Tax Expenditure as reported by DoTax		Confidential per DoTax policy
2018 Tax Expenditure applying actual claimed rates		Cannot Calculate

*Data relating to exemptions claimed by fewer than ten taxpayers is not reported based on DoTax policy and federal guidelines on taxpayer confidentiality.



Section 237-24.7(10), HRS

(See also Section 206M-15, HRS)

Amounts received as high technology research and development grants under Section 206M-15, HRS

2018 No. of Taxpayers Claiming Exemption		Confidential per DoTax policy*
2018 Total Amount Claimed		Confidential per DoTax policy
2018 Amounts Claimed at the 0.5% Wholesale Rate		Confidential per DoTax policy
2018 Amounts Claimed at the 4% Retail Rate		Confidential per DoTax policy
2018 Tax Expenditure as reported by DoTax		Confidential per DoTax policy
2018 Tax Expenditure applying actual claimed rates		Cannot Calculate

*Data relating to exemptions claimed by fewer than ten taxpayers is not reported based on DoTax policy and federal guidelines on taxpayer confidentiality.



Section 237-24.9, HRS

Amounts received from the servicing and maintenance of aircraft or construction of aircraft service and maintenance facilities

2018 No. of Taxpayers Claiming Exemption*	18	
2018 Total Amount Claimed**		\$ 31,048,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 15,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 31,033,000
2018 Tax Expenditure as reported by DoTax***		\$ 155,000 (0.5 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 1,241,395

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 4.



Section 237-25(a)(1), (2), and (3), HRS

- (1) Gross proceeds from the sale of intoxicating liquor to the United States or any organization to which the sale is permitted by the proviso of “Class 3” of Section 281-31, HRS that is located on any Army, Navy, or Air Force reservation
- (2) Gross proceeds from the sale of tobacco products and cigarettes to the United States
- (3) Gross proceeds from the sale of “other tangible personal property” to the United States and any state-chartered credit union

2018 No. of Taxpayers Claiming Exemption*	1,198	
2018 Total Amount Claimed**		\$ 1,388,008,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 175,665,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 1,212,343,000
2018 Tax Expenditure as reported by DoTax***		\$ 49,372,000 (0.5 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 49,372,045

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 6.

Table 6 contains provisions that DoTax characterizes as exemptions that represent a lost opportunity to export taxes to nonresidents, and labels this amount as “foregone taxes” rather than tax expenditures.



Section 237-27, HRS

Amounts received by petroleum product refiners from other refiners for further refining of petroleum products

2018 No. of Taxpayers Claiming Exemption		Confidential per DoTax policy*
2018 Total Amount Claimed		Confidential per DoTax policy
2018 Amounts Claimed at the 0.5% Wholesale Rate		Confidential per DoTax policy
2018 Amounts Claimed at the 4% Retail Rate		Confidential per DoTax policy
2018 Tax Expenditure as reported by DoTax		Confidential per DoTax policy
2018 Tax Expenditure applying actual claimed rates		Cannot Calculate

*Data relating to exemptions claimed by fewer than ten taxpayers is not reported based on DoTax policy and federal guidelines on taxpayer confidentiality.



Section 237-27.5, HRS

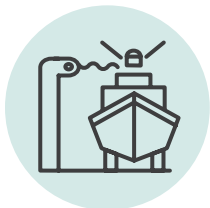
Gross proceeds received from the construction, reconstruction, erection, operation, use, maintenance, or furnishing of air pollution control facilities, as described under Section 237-27.5, HRS, that do not have valid certificates of exemption on July 1, 2011

2018 No. of Taxpayers Claiming Exemption*	70	
2018 Total Amount Claimed**		\$ 189,655,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 69,460,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 120,195,000
2018 Tax Expenditure as reported by DoTax***		\$ 948,000 (0.5 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 5,155,100

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 4.



Section 237-28.1, HRS

Gross proceeds received from shipbuilding and ship repairs

2018 No. of Taxpayers Claiming Exemption*	63	
2018 Total Amount Claimed**		\$ 201,442,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 1,328,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 200,114,000
2018 Tax Expenditure as reported by DoTax***		\$ 1,007,000 (0.5 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 8,011,200

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1.

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 4.



Section 237-29.8, HRS

Amounts received by telecommunications common carriers from call center operators for interstate or foreign telecommunications services

2018 No. of Taxpayers Claiming Exemption		Not Tracked
2018 Total Amount Claimed		Not Tracked
2018 Amounts Claimed at the 0.5% Wholesale Rate		Not Tracked
2018 Amounts Claimed at the 4% Retail Rate		Not Tracked
2018 Tax Expenditure as reported by DoTax		Not Tracked
2018 Tax Expenditure applying actual claimed rates		Cannot Calculate



Section 209E-11, HRS (Enterprise Zone Activity)

Gross proceeds received by qualified businesses in enterprise zones, as described under Section 209E-11, HRS, that do not have valid certificates of qualification from the Department of Business, Economic Development, and Tourism (DBEDT) on July 1, 2011

2018 No. of Taxpayers Claiming Exemption*	150	
2018 Total Amount Claimed**		\$ 461,848,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 422,566,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 39,283,000
2018 Tax Expenditure as reported by DoTax***		\$ 18,474,000 (4 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 3,684,150

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1. (total amount rounded to nearest 1,000)

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 5.



Section 209E-11, HRS (Contractors)

Gross proceeds received by contractors licensed under chapter 444 for construction within enterprise zones performed for qualified businesses within the enterprise zones or businesses approved by the DBEDT to enroll in the enterprise zone program

2018 No. of Taxpayers Claiming Exemption*	58	
2018 Total Amount Claimed**		\$ 36,064,000
2018 Amounts Claimed at the 0.5% Wholesale Rate		\$ 5,250,000
2018 Amounts Claimed at the 4% Retail Rate		\$ 30,813,000
2018 Tax Expenditure as reported by DoTax***		\$ 180,000 (0.5 percent)
2018 Tax Expenditure applying actual claimed rates		\$ 1,258,770

*Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 1.

**Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Appendix, Table A-1. (total amount rounded to nearest 1,000)

***Source: 2018 DoTax Hawai'i General Excise & Use Tax Exemptions Report, Table 4.

Total number of claims, amounts claimed, and tax expenditures

2018 No. of Claims	2018 Total Amounts Claimed	2018 Tax Expenditure Contained in DoTax Report	2018 Total Expenditure Applying Actual Claimed Rates
4,849	\$ 7,054,786,000	\$ 94,111,000	\$ 254,545,130

Additional notes:

- Act 105, SLH 2011, also suspended some Use Tax as well as GET provisions. Because Use Tax is generally not required to be reported, they are generally not tracked by DoTax. However, as GET and Use Tax are reported on a combined form, the figures reported herein may include some Use Tax amounts; we assume that the Use Tax amounts, if any, are relatively small;
- DoTax does not require taxpayers to report claims for many exclusions, therefore there was no available data on Section 237-13(6)(D), HRS and Section 237-29.8, HRS;
- Four other tax exemptions suspended by Act 105 were utilized by fewer than ten taxpayers in 2018, and, as a result, DoTax suppressed reporting of claim and tax expenditure data based on policy and federal guidelines on taxpayer confidentiality.

