DEPARTMENT OF TAXATION

Amendments to Chapter 18-237,
Hawaii Administrative Rules

_____, 2018

1. Chapter 18-237, Hawaii Administrative Rules,
is amended by adding a new section to read as follows:

"**§18-237- -01 Exemption for intangible property
used outside the State.** (a) If intangible property
is used both in and outside of the State, all of the
value or gross proceeds will be subject to general
excise tax in proportion to the benefit received in
the State. Any reasonable method of apportioning all
of the value or gross income may be used; provided
that the method is consistently used by the taxpayer
and supported by verifiable data that reasonably
quantifies the proportionate benefit received in the
State.
      (b) If the customer is a business and the
intangible property is acquired by the customer for
use in the customer's business activities, the
intangible property is used where the business
activities occur.
      (c) If the customer is a business and the
intangible property is not acquired by the customer
for use in the customer's business activities, the
intangible property is used where the customer's
principal place of business is located;
      (d) If the customer is an individual, the
intangible property is used where the individual
resides;
      (e) If the customer is the military or federal,
state, or local government, the intangible property is
used where the benefit of the intangible property is
received.
      (f) For purposes of this section, "business
activities" means the transactions and activities
engaged in the regular course of trade or business for

the ultimate purpose of obtaining gains or profits, or if the business is a tax-exempt organization, also includes the transactions and activities that further the exempt purpose of the organization." [Eff   ] (Auth: HRS §§ 231-3(9), 237-8) (Imp: HRS §237-__)

2. New material is underscored.

3. These amendments to chapter 18-231, Hawaii Administrative Rules, are provided in Ramseyer format for reference only.