

DEPARTMENT OF TAXATION

Amendments to Chapter 18-237,
Hawaii Administrative Rules

_____, 2018

SUMMARY

1. New §18-237-__-01 is added.

§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-__)