
Auditor's Summary

Review of General Excise and Use Tax Provisions Pursuant to Section 23-75, Hawai'i Revised Statutes

Report No. 23-14



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THIS REPORT ASSESSES seven exemptions and one exclusion under Hawai'i's General Excise Tax (GET) and Use Tax laws. Section 23-71 et seq., Hawai'i Revised Statutes (HRS), requires the Auditor to review GET and Use Tax provisions annually, on a 10-year recurring cycle. In fiscal year 2022, which ended June 30, 2022, GET and Use Tax revenues accounted for \$4 billion, or nearly 38 percent of the State's total tax revenue from all sources.

Specifically, this report reviews the following eight tax provisions:

- GET exemption for the loading, transportation, and unloading of agricultural commodities shipped for a producer or produce dealer on one island to a person, firm or organization on another island, Section 237-24.3(1), HRS;
- GET exemption for the loading or unloading of cargo from ships, barges, vessels, or aircraft, including stevedoring services, Section 237-24.3(3)(A), HRS;
- GET exemption for tugboat services, including pilotage fees and fees from the towage of ships, barges, or vessels in and out of state harbors, or from one pier to another, Section 237-24.3(3)(B), HRS;
- GET exemption for the transportation of pilots or governmental officials to offshore vessels; rigging gear; checking freight; standby charges; and use and running of mooring lines, Section 237-24.3(3)(C), HRS;

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- Use Tax exclusion for imported oceangoing vehicles used for the interisland public transportation of passengers, Section 238-1, paragraph 7 of “use” definition, HRS;
- Use Tax exemption for imported alcohol and tobacco to be consumed outside Hawai'i by vessel and airline passengers and crew, Section 238-3(g), HRS;
- Use Tax exemption for imported vessels constructed before July 1, 1969, under the Fisheries New Vessel Construction Loan Program, Section 238-3(h), HRS; and
- GET exemption for shipbuilding and ship repairs rendered to surface vessels federally owned or engaged in interstate or international trade, Section 237-28.1, HRS.

We determined that one Use Tax exclusion and three GET exemptions are meeting their stated or inferred purposes, and that one GET exemption is not meeting its purpose. As we explain in the report, making conclusions as to whether purposes are being met is challenging when amounts claimed are not tracked or where no benchmarks or metrics are statutorily set forth to assess whether a provision is achieving its intended purpose.



Link to the complete report:

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<https://files.hawaii.gov/auditor/Reports/2023/23-14.pdf>