August 1, 2013

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2013-10

RE: Act 46, Session Laws of Hawaii 2013, Relating to the Imposition of Use Tax on Imported Contracting


Act 46 amends Hawaii Revised Statutes (HRS) §§238-1 and 238-2.3, to allow for the consistent treatment of imported contracting under both the Use Tax and the General Excise Tax (GET).

HRS §238-1 is amended by deleting contracting imported or purchased by a licensed contractor from the list of activities not included in the term "use." HRS §238-2.3 is amended by adding subparagraph (1)(C), by providing for no Use Tax imposition where a licensed contractor imports or purchases contracting and that contracting becomes an identifiable element of the finished work or project, provided that: (1) the gross proceeds derived by the contractor are subject to GET as contracting; and (2) the contractor could have deducted the amounts paid to the subcontractor under HRS §237-13(3)(B), if the subcontractor was subject to GET.

For more information on this issue, please contact the Rules Office at 808-587-1577 or by e-mail at Tax.Rules.Office@hawaii.gov.

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