

# DAMON KEY LEONG KUPCHAK HASTERT

A LAW CORPORATION

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## LEGAL ALERT UPDATE – GENERAL EXCISE TAX EXEMPTIONS

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Effective **July 1, 2011**, the Hawaii general excise and use tax exemption for certain persons and business activities is suspended by the recently signed Act 105. For a two-year suspension period running from July 1, 2011 to June 30, 2013, certain formerly exempt persons and business activities will be subject to the 4% general excise or use tax rate.

A grandfathering provision exists which may save some from losing the exemption, but it requires a **written contract** that does not allow the passing on of increases in tax rates. The contract must be binding and entered into before **July 1, 2011**.

You should review Hawaii Department of Taxation Announcements Nos. 2011-09 and 2011-10 (linked below) to determine whether you fall into one of the suspended categories. Prominent on the list are **sublessors** that deduct amounts paid to lessors from rental income received from sublessees and the “**subcontractor’s deduction**,” the anti-pyramiding relief available to contractors for amounts received from subcontractors.

<http://www6.hawaii.gov/tax/announce/ann11-09.pdf>

<http://www6.hawaii.gov/tax/announce/ann11-10.pdf>

Time is short. If you have questions about this Legal Alert Update, please contact Christopher Pan at [cp@hawaiilawyer.com](mailto:cp@hawaiilawyer.com) or (808) 531-8031.

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