

STATE OF HAWAII - DEPARTMENT OF TAXATION
PHASED-IN WHOLESALE DEDUCTION WORKSHEET

(Do NOT file this worksheet with the Department of Taxation. Keep it for your records. SEE SPECIFIC INSTRUCTIONS ON BACK)

COMPUTATION OF QUALIFIED WHOLESALE SALES OF TANGIBLE PROPERTY PHASED-IN DEDUCTION:

1. Total gross income received from qualified sales of tangible personal property to a licensed service business or person furnishing transient accommodations as provided under §237-4(a)(8)(B), HRS
2. Allowable deduction rate used for computing the deduction (see instructions)
3. Multiply line 1 by line 2. This is your maximum allowable deduction. Enter this amount on the "Exemptions and Deductions" list on page 2 of Form G-45 or G-49 and identify this amount as "§ 237-4(a)(8)(B) Deduction". Also, enter this amount as part of the deductions claimed on Form G-45 or G-49, line 8, column b

COMPUTATION OF QUALIFIED WHOLESALE SALES OF SERVICES PHASED-IN DEDUCTION:

4. Total gross income received from qualified sales of services at wholesale as provided under §237-4(a)(10), HRS
5. Allowable deduction rate used for computing the deduction (see instructions)
6. Multiply line 4 by line 5. This is your maximum allowable deduction. Enter this amount on the "Exemptions and Deductions" list on page 2 of Form G-45 or G-49 and identify this amount as "§ 237-4(a)(10) Deduction". Also, enter this amount as part of the deductions claimed on Form G-45 or G-49, line 9, column b

COMPUTATION OF QUALIFIED WHOLESALE SALES OF AMUSEMENTS PHASED-IN DEDUCTION:

7. Total gross income received from qualified sales of amusements at wholesale as provided under §237-4(a)(13), HRS
8. Allowable deduction rate used for computing the deduction (see instructions)
9. Multiply line 7 by line 8. This is your maximum allowable deduction. Enter this amount on the "Exemptions and Deductions" list on page 2 of Form G-45 or G-49 and identify this amount as "§237-4(a)(13) Deduction". Also enter this amount as part of the deductions claimed on Form G-45 or G-49, line 11, column b

GENERAL INSTRUCTIONS

The phased-in tax rates are applicable only to those transactions that were not covered under previous law for the wholesale sale or intermediary services rates.

NOTE: Any transactions which qualified as wholesale sales or intermediary services prior to Act 71, Session Laws of Hawaii 1999 (Act 71), may continue to file accordingly.

Act 71 reduces the effect of the "pyramiding" of the general excise tax on certain sales of tangible personal property or services by treating those transactions similar to the wholesale sales of tangible personal property. The phase-in of the "wholesale" rate is over seven years until a .5% rate is applicable on January 1, 2006. Act 198, Session Laws of Hawaii 2000, further reduced the "pyramiding" effect for amusements transactions.

Qualified sales of tangible personal property are sales to:

- (A) A licensed service business for use in performing a service; or
- (B) A person engaged in furnishing transient accommodations;

provided the property becomes or is used as an identifiable element of the service rendered and does not constitute overhead to the licensed service business or person furnishing transient accommodations.

Qualified sales of services at wholesale to a licensed seller engaging in a business or calling are:

- (A) Either:
 - (i) In the context of a **service-to-service** transaction, a service is rendered upon the order or request of a licensed seller for the purpose of rendering another service in the course of the seller's service business or calling;
 - (ii) In the context of a **service-to-goods** transaction, a service is

rendered upon the order or request of a licensed seller for the purpose of manufacturing, producing, preparing, or acquiring tangible personal property to be sold;

- (iii) In the context of a **services-to-contracting** transaction, a service is rendered upon the order or request of a licensed contractor as defined in section 237-6 for the purpose of assisting that licensed contractor in executing a contract; or
- (iv) In the context of a **services-to-transient accommodations rental** transaction, a service is rendered upon the order or request of a person subject to tax under section 237D-2 for the purpose of furnishing transient accommodations;
- (B) The benefit of the service passes to the customer of the licensed seller, licensed contractor, or person furnishing transient accommodations as an identifiable element of the other service or property to be sold, the contracting, or the furnishing of transient accommodations;
- (C) The cost of the service does not constitute overhead to the licensed seller, licensed contractor, or person furnishing transient accommodations;
- (D) The gross income of the licenses seller is not divided between the licensed seller and another licensed seller, contractor, or person furnishing transient accommodations for imposition of the general excise tax;
- (E) The gross income of the licensed seller is not subject to a deduction under the general excise tax or the transient accommodations tax; and
- (F) The resale of the service, property, contracting, or transient accommodations is subject to the general excise tax at the highest tax rate.

Act 71 defines "Overhead" to mean continuous or general costs occurring in the normal course of a business, including but not limited to costs for labor, rent, taxes, royalties, interest, discounts paid, insurance, lighting, heating, cooling, accounting, legal fees, equipment and facilities, telephone systems, depreciation, and amortization.

Qualified sales of amusements to a licensed seller engaging in a business or calling whenever:

- (A) Either:
 - (i) In the context of an **amusement-to-service** transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another service in the course of the seller's service business or calling;
 - (ii) In the context of an **amusement-to-tangible personal property** transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of selling tangible personal property; or
 - (iii) In the context of an **amusement-to-amusement** transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another amusement in the course of the person's amusement business;
- (B) The benefit of the amusement passes to the customer of the licensed seller as an identifiable element of the other service, property to be sold, or amusement;
- (C) The cost of the amusement does not constitute overhead to the licensed seller;
- (D) The gross income of the licensed seller is not divided between the licensed seller and another licensed seller, person furnishing transient accommodations, or person rendering an amusement for imposition of the general excise tax;
- (E) The gross income of the licensed seller is not subject to a deduction under the general excise tax; and
- (F) The resale of the service, tangible personal property, or amusement is subject to the general excise tax at the highest rate.

"Amusement" means entertainment provided as part of a show for which there is an admission charge.

PURPOSE OF THIS WORKSHEET

Use this worksheet to calculate the amount of the deductions to claim on your monthly, quarterly, semi-annual, or annual general excise tax return.

Make as many copies of this worksheet as you need to compute your deduction(s) to claim on your return(s).

SPECIFIC INSTRUCTIONS

COMPUTATION OF QUALIFIED WHOLESALE SALES OF TANGIBLE PROPERTY PHASED-IN DEDUCTION

Line 1 — Enter the gross income received from the sale of tangible personal property to a licensed person engaged in providing services or transient accommodations.

NOTE: The property must become or be used as an identifiable element of the service rendered and cannot constitute overhead (see definition of "overhead" on previous page).

Line 2 — Enter the deduction rate used in computing the allowable deduction. The rate to be used in computing the deduction is as follows:

For gross proceeds or gross income received in:

Calendar Year:	Effective tax rate is:	Deduction rate:
2000	3.5%	0.125
2001	3%	0.250
2002	2.5%	0.375
2003	2%	0.500
2004	1.5%	0.625
2005	1%	0.750

This worksheet will not be necessary to compute your deduction after December 31, 2005.

Line 3 — Multiply line 1 by line 2. This is the amount of your deduction to enter on your monthly, quarterly, semi-annual, or annual general excise tax return. Enter this amount on the "Exemptions and Deductions" list on page 2 of the appropriate form you are filing. Identify this amount as "*§237-4(a)(8) Deduction*".

Also enter this amount as part of the deductions claimed on line 8, column b of the appropriate form.

COMPUTATION OF QUALIFIED WHOLESALE SALES OF SERVICES PHASED-IN DEDUCTION

Line 4 — Enter the gross income received from providing qualified services to a licensed seller, contractor or person furnishing transient accommodations where the benefit of the service rendered passes to the customer of the licensed person.

NOTE: The services rendered must become or be used as an identifiable element of the other service rendered and cannot constitute overhead (see definition of "overhead" on previous page).

Line 5 — Enter the deduction rate from the Line 2 instructions above to compute the allowable deduction.

Line 6 — Multiply line 4 by line 5. This is the amount of your deduction to enter on your monthly, quarterly, semi-annual, or annual general excise tax return. Enter this amount on the "Exemptions and Deductions" list on page 2 of the appropriate form you are filing. Identify this amount as "*§237-4(a)(10) Deduction*".

Also enter this amount as part of the deductions claimed on line 9, column b of the appropriate form.

COMPUTATION OF QUALIFIED WHOLESALE SALES OF AMUSEMENTS PHASED-IN DEDUCTION

Line 7 — Enter the gross income received from providing amusements to a licensed seller where the benefit of the amusement passes to the customer of the licensed seller.

NOTE: The amusements rendered must become an identifiable element of the other service, property, or amusement and cannot constitute overhead (see definition of "overhead" on previous page).

Line 8 — Enter the deduction rate from the Line 2 instructions above to compute the allowable deduction.

Line 9 — Multiply line 7 by line 8. This is the amount of your deduction to enter on your monthly, quarterly, semi-annual, or annual general excise tax return. Enter this amount on the "Exemptions and Deductions" list on page 2 of the appropriate form you are filing. Identify this amount as "*§237-4(a)(13) Deduction*".

Also enter this amount as part of the deductions claimed on line 11, column b of the appropriate form.

WHERE TO GET INFORMATION

Oahu District Office
830 Punchbowl Street
P.O. Box 259
Honolulu, HI 96809-0259
Tel. No.: (808) 587-4242
Toll-Free: 1-800-222-3229
TDD/TTY No.: (808) 587-1418
TDD/TTY Toll-Free: 1-800-887-8974

Maui District Office
54 South High Street, #208
P. O. Box 1169
Wailuku, HI 96793-6169
Tel. No.: (808) 984-8500

Hawaii District Office
75 Aupuni Street, #101
P. O. Box 833
Hilo, HI 96721-0833
Tel. No.: (808) 974-6321

Kauai District Office
3060 Eiwa St., #105
Lihue, HI 96766-1889
Tel. No.: (808) 274-3456

Tax information and forms:
www.state.hi.us/tax

Forms By Fax/Mail:
Telephone No.: (808) 587-7572
Toll-Free: 1-800-222-7572