

Honolulu, Hawaii

FEB 13 2012

RE: S.B. No. 2226
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Economic Development and Technology, to which was referred S.B. No. 2226 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Adopt amendments to Hawaii tax laws to implement the Streamlined Sales and Use Tax Agreement, effective when the State becomes a party to the Streamlined Sales and Use Tax Agreement; and
- (2) Create a committee to oversee the Department of Taxation's implementation and administration of, and compliance with the Streamlined Sales and Use Tax Agreement.

Your Committee received testimony in support of this measure from the Hawaii Association of REALTORS; Retail Merchants of Hawaii; Hawaii Government Employees Association, AFSCME Local 152 AFL-CIO; and Walgreen Company. Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that e-commerce is one of the few consistently bright spots in the nation's economic recovery. In 2011, holiday web sales alone topped \$37,000,000,000 for November and December, a fifteen percent increase over 2010. This compares



with more modest growth of four percent for all retail sales during the same period. While it is difficult to assign a specific percentage of that expenditure to Hawaii, it still represents significant potential for tax revenue to the State.

The Streamlined Sales and Use Tax Agreement is the result of the cooperative effort of forty-four states, the District of Columbia, local governments, and the business community to simplify sales and use tax collection and administration by retailers and states. To date, twenty-four of the forty-four states have passed the conforming legislation. Those states have a total population of 92,781,860 representing thirty-three percent of the population. In addition to this measure before your Committee, conforming legislation has been introduced in California, Florida, Illinois, Maine, Massachusetts, Missouri, Texas, and Virginia.

In July 2011, S. 1452, the Mainstreet Fairness Act, was introduced in the United States Senate to promote simplification and fairness in the administration and collection of sales and use taxes. This was followed in November 2011, by S. 1832, the Marketplace Fairness Act, to address a states' rights issue: preserving the right of states to collect, or decide not to collect, sales and use taxes that are already owed under state law.

Your Committee believes that the State of Hawaii would benefit tremendously by adopting legislation that would enable the State to be in compliance with the Streamlined Sales and Use Tax Agreement.

Your Committee has amended this measure by:

- (1) Amending the purpose section to include additional information regarding the current status of the Streamlined Sales and Use Tax Agreement and related federal legislation; and
- (2) Making a technical, nonsubstantive amendment for the purpose of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2226, as amended herein, and recommends that



it pass Second Reading in the form attached hereto as S.B. No. 2226, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Technology,



CAROL FUKUNAGA, Chair



