

STAND. COM. REP. NO.

1040

Honolulu, Hawaii

MAR 27 2009

RE: H.B. No. 1405
H.D. 2
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committee on Economic Development and Technology, to which was referred H.B. No. 1405, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose of this measure is to maximize the State's ability to capture taxes owed by out-of-state taxpayers by adopting statutory changes that will allow Hawaii to participate in the Streamlined Sales and Use Tax Agreement.

Specifically, this measure clarifies that the term "engaging," as used in reference to practicing a business, includes the sale of tangible personal property by a person soliciting business through an independent contractor or other representative, provided that the cumulative gross receipts from sales by the person to customers in the State of Hawaii who are referred to the person is at least \$10,000 in the 12-month period ending on the last day of the most recent calendar quarter before the calendar quarter in which the sale is made.

Testimony in support of this measure was submitted by the Department of Taxation and one concerned individual. Testimony in opposition of this measure was submitted by Legislative Information Services of Hawaii, Internet Alliance, Amazon.com, Direct Marketing Association, and Synertech Media LLC. Written testimony presented to the Committee may be reviewed on the Legislature's website.

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Your Committee finds that in the State's current economic crisis it is imperative that legislators attempt to seek out as many new sources of revenues as is possible. Your Committee also finds that the enactment of legislation to adopt the Streamlined Sales and Use Tax Agreement will provide the State with a tremendous amount of new tax revenues over the next ten years that would erase the State's current fiscal deficit and help to resolve the State's current economic crisis.

Your Committee has amended this measure by:

- (1) Deleting the contents of this measure and replacing it with the contents of S.B. No. 1680, S.D. 3, which implements legislation for the State to adopt the Streamlined Sales and Use Tax Agreement; and
- (2) Requiring all tax revenues collected under the streamlined sales and use tax revenues to be deposited in the state treasury to the credit of the University of Hawaii.

Your Committee notes that the title of this measure may be too narrow to incorporate the contents of the legislation for the adoption of the Streamlined Sales and Use Tax Agreement, however, your Committee finds that passing this measure to the Committee on Ways and Means will provide the Committee on Ways and Means with the opportunity to find a more appropriate and suitable measure for the legislation to adopt the Streamlined Sales and Use Tax Agreement.

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 H.B. No. 1405, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1405, H.D. 2, 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,

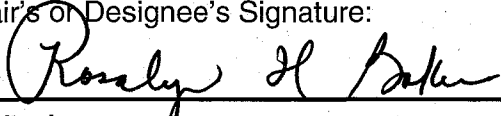


CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fifth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Technology
EDT

Bill / Resolution No.:* HB1405, HP2	Committee Referral: EDT, WAM	Date: 3-23-09		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
BAKER, Rosalyn H. (VC)	✓			
HEE, Clayton				✓
IGE, David Y.	✓			
SLOM, Sam			✓	
TOTAL	3	-	1	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes