

STAND. COM. REP. NO.

349

Honolulu, Hawaii

FEB 20 2009

RE: S.B. No. 1230
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 Commerce and Consumer Protection, to which was referred S.B. No. 1230 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to establish a real property asset acquisition tax on all transfers of real property to ensure that the State receives the revenue due to it under the law.

Your Committee received testimony in support of this measure from Iolani Palace, Conservation Council for Hawaii, Bishop Museum, and Hawai'i Forest Industries Association. Testimony in opposition to the measure was received from Hawai'i Association of Realtors. Testimony with comments was received from the Department of Taxation, Housing Hawaii, Tax Foundation of Hawaii, and The Nature Conservancy. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Upon further consideration, your Committee has amended this measure by deleting its contents and inserting provisions that address the loss of tax revenue due to real property transactions involving nonresident sellers. As amended, this measure:

- (1) Provides for the application of the conveyance tax to real property holding company transfers attributable to real estate located in Hawaii;



- (2) Imposes the Hawaii Real Property Tax Act withholding requirement on transfers of interests in real property holding companies attributable to real estate located in Hawaii;
- (3) Ensures that withholding tax payments required by the Real Property Tax Act are timely received by requiring remittance of the tax within twenty days following the transfer date by electronic transfer directly to the Department of Taxation; and
- (4) Ensures that nonresident sellers of real property pay their proper share of general excise, transient accommodations, and income taxes by requiring foreign owners to provide a tax clearance certificate to the Bureau of Conveyances as a condition of recording.

Your Committee believes that the amended measure will ensure that nonresident taxpayers, including vacation rental owners, are tax compliant before they potentially end any connection to Hawaii.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1230, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1230, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair



The Senate
 Twenty-Fifth Legislature
 State of Hawaii

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB 1230	Committee Referral: CPN, WAM	Date: 2/17/2009		
<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
BAKER, Rosalyn H. (C)	✓			
IGE, David Y. (VC)	✓			
ESPERO, Will	✓			
GREEN, M.D., Josh	✓			
IHARA, Jr., Les	✓			
SAKAMOTO, Norman				✓
HEMMINGS, Fred	✓			
TOTAL	6	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align: center; font-family: cursive; font-size: 1.2em;">David Y. Ige</div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes