

STAND. COM. REP. NO.

1456

Honolulu, Hawaii

April 8, 2011

RE: S.B. No. 754
S.D. 1
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 754, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill, as received by your Committee, is to address a problem facing Hawaii's small business community by amending the priority of distribution for partial tax payments. Specifically, the measure changed the priority of distribution for partial tax payments made to the Department of Taxation (DOTAX) from being credited first to interest, then penalties, and finally to principal, to being credited to principal first, then penalties, then interest.

Prior to the hearing, your Committee circulated for review and comment and accepted testimony on a Proposed H.D. 1. The purpose of the Proposed H.D. 1 is to address the current economic crisis facing the State by:

- (1) Temporarily suspending the general excise and use tax exemptions for certain amounts received by certain persons or for certain uses and, instead, requiring payment of the applicable tax on those amounts or for those uses at a specified rate for the period beginning on January 1, 2012, and ending on June 30, 2015;

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- (2) Retaining the existing general excise tax exemption for nonprofit organizations, with the exception of the value or gross income received by nonprofit organizations from certain conventions, conferences, trade shows, or display spaces; and
- (3) Establishing certain information reporting requirements to be required by the Director of Taxation and to begin on January 1, 2012.

DOTAX, the Policy Board for Elder Affairs, and IMUAlliance supported this bill. The Retail Merchants of Hawaii; PVT Land Company; Ship Repair Association of Hawaii; Hawaiian Airlines; American Fraternal Alliance; Thrivent Financial for Lutherans; Woodmen of the World; The Independent Order of Foresters and Knights of Columbus; Air Transport Association; Honua Power, LLC; Airlines Committee of Hawaii; Sheet Metal Contractors Association; HSI Mechanical, Inc.; Master Sheet Metal, Inc.; CTIA-The Wireless Association; American Council of Engineering Companies of Hawaii; Land Use Research Foundation of Hawaii; Plumbing and Mechanical Contractors Association of Hawaii; and Covanta Energy Corporation opposed this measure. The Department of Budget and Finance; Hawaii Tourism Authority; Tax Foundation of Hawaii; Alexander & Baldwin, Inc.; Hawaii Harbor Users Group; Hawaii Alliance of Nonprofit Organizations; and Hawaii State Bar Association offered comments.

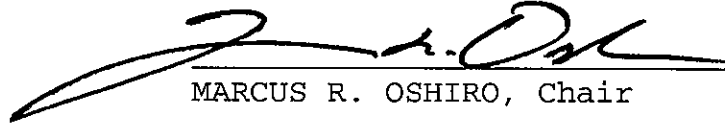
Your Committee has amended this bill by adopting the language contained in the Proposed H.D. 1 and has further amended the measure by:

- (1) Temporarily suspending the general excise and use tax exemptions for a period of only two fiscal years;
- (2) Imposing the general excise tax and use tax at a rate of four percent instead of gradually escalating rates from two to four percent over specific time periods;
- (3) Mandating the Director of Taxation to begin requiring information reporting on all exclusions or exemptions of all amounts, persons, or transactions from the general excise tax and use tax beginning on July 1, 2011, instead of on January 1, 2012; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 754, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 754, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



MARCUS R. OSHIRO, Chair



Record of Votes of the Committee on Finance

Bill/Resolution No.: <i>SB 754, SD1</i>	Committee Referral: <i>FIN</i>	Date: <i>4/4/11</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. OSHIRO, Marcus R. (C)	✓			
2. LEE, Marilyn B. (VC)	✓			
3. CHONG, Pono	✓			
4. CHOY, Isaac W.	✓			
5. COFFMAN, Denny	✓			
6. CULLEN, Ty	✓			
7. HAR, Sharon E.	✓			
8. HASHEM, Mark J.	✓			
9. ICHIYAMA, Linda	✓			
10. JORDAN, Jo	✓			
11. LEE, Chris	✓			
12. MORIKAWA, Dee	✓			
13. TOKIOKA, James Kunane	✓			
14. YAMASHITA, Kyle T.	✓			
15. MARUMOTO, Barbara C.		✓		
16. RIVIERE, Gil		✓		
17. WARD, Gene				✓
TOTAL (17)	<i>14</i>	<i>2</i>	<i>0</i>	<i>1</i>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <u><i>Marilyn B. Lee</i></u>				
Distribution: Original (White) - Committee Duplicate (Yellow) - Chief Clerk's Office Duplicate (Pink) - HMSO				