

STAND. COM. REP. NO. 2630

Honolulu, Hawaii

MAR 02 2012

RE: S.B. No. 2226
S.D. 2

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

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2226, S.D. 1, 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) Amend Hawaii tax laws to implement the Streamlined Sales and Use Tax Agreement, to take effect when the State becomes a party to the Streamlined Sales and Use Tax Agreement; and
- (2) Establish a committee to oversee the Department of Taxation's implementation and administration of, and compliance with the Streamlined Sales and Use Tax Agreement.

Written comments in support of this measure were submitted by the Hawaii Government Employees Association, Retail Merchants of Hawaii, Hawaii Association of Realtors, and Walgreen Company.

Your Committee finds that Hawaii's use tax, enacted as Chapter 238, Hawaii Revised Statutes, has been in statute for over forty years and is similar to use tax laws in forty-five other states. Your Committee also finds that most Hawaii consumers are not aware that they owe the State a four per cent tax on their out-of-state purchases via catalog, direct mail, or the Internet. Your Committee finds that it is virtually impossible for the

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Department of Taxation to calculate and collect the use taxes that individual taxpayers owe on those purchases.

Your Committee finds that the Streamlined Sales and Use Tax Agreement is the result of a 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. Your Committee believes that this measure will bring Hawaii's tax law into compliance with the Streamlined Sales and Use Tax Agreement, and allow the State to begin collecting use taxes that are currently going uncollected on the majority of out-of-state purchases.

Your Committee has amended this measure by:

- (1) Clarifying that the taxation of the sales of prepaid telephone calling services shall be primarily governed by the new section A-13, Hawaii Revised Statutes, created by this measure;
- (2) Making various conforming amendments to update cross-references to sections of the Hawaii Revised Statutes that are amended or repealed by this measure;
- (3) Clarifying the purposes for which the Department of Taxation is required to secure services to support the Streamlined Sales and Use Tax Agreement by including a definition of the term "project"; and
- (4) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2226, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2226, S.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate
Twenty-Sixth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2226, SD1	EDT, WAM	2-23-12		
<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
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
FUKUNAGA, Carol	✓			
KIM, Donna Mercado	✓			
KAHELE, Gilbert	✓			
KOUCHI, Ronald D.	✓			
RYAN, Pohai		✓		
TOKUDA, Jill N.	✓			
WAKAI, Glenn	✓			
SLOM, Sam			✓	
TOTAL	12	1	1	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes