

Honolulu, Hawaii

FEB 11 2011

RE: S.B. No. 755
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Economic Development and Technology, to which was referred S.B. No. 755 entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT,"

begs leave to report as follows:

The purpose of this measure is to create an annual exemption from the general excise tax on retail sales of certain back-to-school items, including school supplies, computer supplies, and clothing during a five-day period in late July. The intent of this measure is to stimulate Hawaii's economy for residents and retailers alike through this annual tax holiday.

Your Committee received testimony in support of this measure from The Chamber of Commerce of Hawaii and Retail Merchants of Hawaii. Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that as Hawaii's economy continues its slow recovery, initiatives to increase retail spending, such as a general excise tax holiday on certain items will spark consumer confidence and spending and help local businesses rebuild markets. Other states have found that this type of tax holiday stimulates job creation and a net increase in tax revenues as a result of improved economic activity. An ancillary effect, especially in the retail industry, is an increase in store traffic. This results in greater spending on both exempt and nonexempt items, which in turn generates tax revenues for the State.



Your Committee has amended this measure by:

- (1) Requiring all savings generated to be passed on by the seller to the purchaser without any increase in price;
- (2) Clarifying that the exemption shall not apply to:
 - (A) Rebates, layaway sales, rain checks, or exchanges when the transactions occur before or after the tax holiday period; and
 - (B) Mail, telephone, e-mail, or Internet orders with businesses operating outside the State of Hawaii; and
- (3) Making technical, nonsubstantive amendments for the purposes 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. 755, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 755, S.D. 1, and be referred to the Committee on Ways and Means.

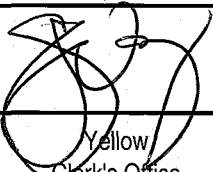
Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Technology,


CAROL FUKUNAGA, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Economic Development and Technology
EDT

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 755	EDT, WAM	2/4/11		
<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)	✓			
WAKAI, Glenn (VC)	✓			
BAKER, Rosalyn H.	✓			
SOLOMON, Malama		✓		
SLOM, Sam				✓
TOTAL	3	1	0	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes