

STAND. COM. REP. NO.

267

Honolulu, Hawaii

February 18, 2015

RE: H.B. No. 966
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 966 entitled:

"A BILL FOR AN ACT RELATING TO SECTION 237-23, HAWAII REVISED STATUTES,"

begs leave to report as follows:

The purpose of this measure is to correct the inadvertent repeal of the words "as such" from section 237-23(b), Hawaii Revised Statutes, which provides various general excise tax exemptions.

Act 184, Session Laws of Hawaii 2012, amended section 237-23, Hawaii Revised Statutes, to add potable water companies to the list of organizations qualifying for general excise tax exemptions, but in doing so inadvertently repealed "as such" from this section.

Hawaii law holds that income from activities that further the exempt purpose of the organization are exempt from general excise taxation. Income from activities unrelated to the organization's exempt purpose would not be exempt from taxation. The deletion of "as such" implies that all activities of the listed organization are exempt, instead of only those activities that further the organization's exempt purpose. The inadvertent deletion could significantly expand the exemption to all activities of hospitals, infirmaries, sanitararia, and potable water companies.

HB966 HD1 HSCR JUD HMS 2015-1822



The Department of Taxation testified in support of the measure. Tax Foundation of Hawaii provided comments and proposed an amendment to ensure retroactive applicability of this correction.

Your Committee has amended the measure to take effect upon its approval, retroactive to taxable years beginning after December 31, 2011.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 966, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 966, H.D. 1, and be referred to the Committee on Finance.

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



KARL RHOADS, Chair



