

STAND. COM. REP. NO.

2224

Honolulu, Hawaii

FEB 12 2018

RE: S.B. No. 2086  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2086 entitled:

"A BILL FOR AN ACT RELATING TO USE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to facilitate the collection of use taxes by requiring:

- (1) Individuals to report and remit use tax liabilities on their individual income tax returns; and
- (2) The Department of Taxation to provide taxpayers with certain information regarding their use tax obligations.

Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that the use tax is intended to complement the general excise tax, which is a gross receipts tax imposed upon sellers of goods and services for the privilege of doing business in Hawaii. When a purchase is made from a seller who is not subject to the general excise tax, the purchaser becomes subject to the use tax. This policy is intended to impose the same tax obligation on a transaction regardless of whether the seller is subject to the general excise tax.



Your Committee further finds that few individuals are aware of their use tax obligations and even fewer comply with the law, and as a result, a significant amount of tax revenue goes uncollected each year. Accordingly, your Committee believes that requiring taxpayers to report use tax obligations on their individual income tax returns will increase compliance and allow the collection of a significant amount of tax revenue owed to the State.

Your Committee has amended this measure by:

- (1) Replacing references to "calendar year" with "calendar or fiscal year," as appropriate, to reflect the fact that Chapter 238, Hawaii Revised Statutes, authorizes the filing of use tax returns on either a calendar or fiscal year basis;
- (2) Codifying in Chapter 238, Hawaii Revised Statutes, the requirement that the Department of Taxation provide taxpayers with certain information regarding use tax obligations; and
- (3) Making technical nonsubstantive changes for purposes of clarity, consistency, 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. 2086, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2086, S.D. 1, and be placed on the calendar for Third Reading.

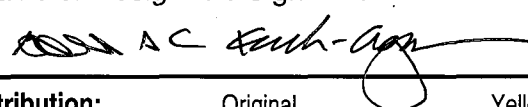
Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
DONOVAN M. DELA CRUZ, Chair



The Senate  
Twenty-Ninth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SB2086</b>	Committee Referral: <b>WAM</b>	Date: <b>1/31/18</b>		
<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
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani				X
GALUTERIA, Brickwood	X			
HARIMOTO, Breene	X			
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i	X			
KIDANI, Michelle N.	X			
RIVIERE, Gil				X
SHIMABUKURO, Maile S.L.				X
WAKAI, Glenn	X			
<b>TOTAL</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes