

STAND. COM. REP. NO. 2133

Honolulu, Hawaii

MAR 04 2016

RE: S.B. No. 2547

S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2547 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to assess the merit and necessity of various tax exemptions, exclusions, and credits.

Specifically, this measure:

- (1) Requires the Auditor to periodically review certain exemptions, exclusions, and credits under the general excise and use taxes, public service company tax, and insurance premium tax;
- (2) Imposes a surcharge on each taxpayer who files a tax return and benefits from an exemption, exclusion, or credit under the general excise and use taxes, public service company tax, and insurance premium tax; and
- (3) Requires the deposit of the surcharge into the audit revolving fund.

Your Committee received testimony in opposition to this measure from two individuals.



Your Committee received comments on this measure from the Department of Taxation, Office of the Auditor, Tax Foundation of Hawaii, and one individual.

Your Committee finds that tax exemptions, exclusions, and credits require periodic review to determine their actual impact on general revenues and to assess if they are continuing to provide the benefits for which they were created. Your Committee recognizes that, although tax exemptions, exclusions, and credits result in a reduction of revenues, they are worthy of continuation when you consider and weigh out various factors, such as equity, efficiency, and economic and social policy. Your Committee further finds that regular, independent review by the Auditor would help the Legislature to identify and affirm the exemptions, exclusions, and credits that represent good public policy, provide guidance for possible changes going forward, and give a more global perspective on all exemptions, exclusions, and credits as new ones are recommended.

Your Committee has amended this measure by:

- (1) Changing the surcharge to a fee to be collected from the taxpayer or insurer filing an annual return or tax statement;
- (2) Clarifying that the fee shall be imposed per return or tax statement filed, rather than per exemption, exclusion, or credit claimed;
- (3) Providing that the fee imposed on annual tax statements filed under the insurance premium tax shall be assessed and collected by the Insurance Division of the Department of Commerce and Consumer Affairs;
- (4) Providing that claiming a tax exemption under section 237-24(13), Hawaii Revised Statutes, which relates to the gross income of businesses owned by blind, deaf, or totally disabled persons, shall not trigger the imposition of the fee;
- (5) Authorizing the Auditor to recommend the removal of a tax exemption, exclusion, or credit from the review process;



- (6) Clarifying that the tax exemption for nonprofit medical indemnity or hospital service associations or societies, under section 432:1-403, Hawaii Revised Statutes, and the tax exemption for fraternal benefit societies, under section 432:2-503, Hawaii Revised Statutes, shall be subject to review only to the extent that they apply to the general excise and use taxes, public service company tax, and insurance premium tax;
- (7) Changing the effective date from January 1, 2016, to January 1, 2017;
- (8) Changing other dates within the measure to conform to the new effective date; and
- (9) Making a technical amendment to add boilerplate language relating to the Revisor of Statutes' numbering of new sections.

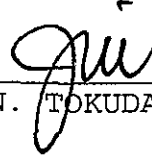
It is your Committee's intent that the Department of Taxation provide the Auditor with any and all information necessary for the Auditor to conduct its review; provided that the Department of Taxation complies with applicable confidentiality statutes in doing so. Your Committee also notes that the fee established by this measure will be easier to administer on a per return or tax statement basis than per exemption, exclusion, or credit.

Should this measure be heard by other standing committees, your Committee respectfully requests that the Department of Taxation review the Hawaii Revised Statutes to identify exemptions, exclusions, or credits that should be repealed or added to the measure for purpose of review by the Auditor.

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. 2547, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2547, 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,



JILL N. TOKUDA, Chair



The Senate
 Twenty-Eighth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2547	WAM	2/10/16		
<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
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
CHUN OAKLAND, Suzanne				/
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood	/			
HARIMOTO, Breene	/			
INOUYE, Lorraine R.	/			
RIVIERE, Gil	/			
TANIGUCHI, Brian T.				/
WAKAI, Glenn	/			
SLOM, Sam		/		
TOTAL	8	1		2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes