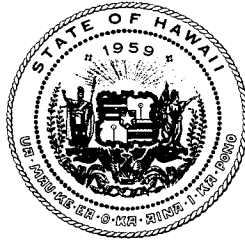


STATE OF HAWAI'I  
**OFFICE OF THE AUDITOR**  
465 S. King Street, Room 500  
Honolulu, Hawai'i 96813-2917



**MARION M. HIGA**  
State Auditor  
  
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April 20, 2006

## DEPT. COMM. NO. 50

The Honorable Robert Bunda  
President of the Senate  
State Capitol, Room 003  
Honolulu, Hawai'i 96813

Dear Mr. President:

Enclosed is a report required by Act 3, Special Session Laws of Hawai'i 2005, as prepared by a consultant engaged by the Office of the Auditor. Act 3 provided for technical assistance to identify the revenue implications of fully participating in the Streamlined Sales and Use Tax Agreement. Professor William F. Fox of the University of Tennessee concluded that, in 2006 terms, approximately \$51.7 million in general excise tax is currently not being collected on e-commerce sales. He estimated that under a voluntary system perhaps \$10.3 million would be collected by remote sellers, but under a mandatory system virtually the entire amount would become state revenue.

We hope that the report will assist you in reviewing the issues examined. We will place the report on our website, [www.state.hi.us/auditor](http://www.state.hi.us/auditor), and release it to the public and press, on Friday, April 21, 2006.

Sincerely,

Marion M. Higa  
State Auditor

Enclosure

c: ✓ Paul Kawaguchi, Senate Clerk

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