

STAND. COM. REP. NO.

3087

Honolulu, Hawaii

MAR 24 2006

RE: H.B. No. 1922  
H.D. 1  
S.D. 1

Honorable Robert Bunda  
President of the Senate  
Twenty-Third State Legislature  
Regular Session of 2006  
State of Hawaii

Sir:

Your Committee on Tourism, to which was referred H.B.  
No. 1922, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose of this measure is to exempt the operator of the Hawaii Convention Center from the general excise tax for amounts received for reimbursement of costs or advances made under contract with the Hawaii Tourism Authority.

Your Committee received testimony in support of this measure from the Department of Taxation (DOTAX) and the Hawaii Tourism Authority (HTA). Comments were received from the Tax Foundation of Hawaii.

According to testimony of DOTAX, the general excise tax reimbursement exemption under current law cannot be interpreted to apply to third party management companies such as the operator of the Hawaii Convention Center. The HTA reimburses the operator for expenses and pays a management fee. This measure would exempt from the general excise tax the amounts received by the operator as the reimbursements.

According to an Attorney General opinion, dated February 8, 2006, addressed to your Committee pursuant to a verbal request at a hearing on February 7, 2006 on the Senate companion measure, DOTAX was correct in its interpretation and application of the

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general excise tax in regard to the operator of the Hawaii Convention Center.

Your Committee finds that the operator of the Hawaii Convention Center should be liable only for the general excise tax on the fee it collects from the HTA. Inasmuch as the center is a state facility, operational expenses should not be subject to the general excise tax.

Your Committee has amended this measure by deleting its contents and inserting provisions of S.B. No. 2975, SD1, a companion measure, and changing the effective date to upon approval.

As affirmed by the record of votes of the members of your Committee on Tourism that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1922, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1922, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

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

  
DONNA MERCADO KIM, Chair



