

Honolulu, Hawaii

MAR - 3 2006

RE: S.B. No. 2222
S.D. 2

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

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2222, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO STREAMLINED SALES AND USE TAX,"

begs leave to report as follows:

The purpose of this measure is to amend the State's tax laws to allow Hawaii to participate in the Streamlined Sales and Use Tax Agreement and consequently collect taxes from electronic commerce transactions.

Your Committee finds that, in 2003, the State lost approximately \$115,000,000 in state and local revenue because of an inability to collect use taxes on out-of-state retail transactions, including online sales. Those estimates increase to approximately \$200,000,000 by the year 2008.

In response to this data, the Legislature enacted chapter 255D, Hawaii Revised Statutes, the Hawaii Simplified Sales and Use Tax Administration Act. The Act essentially directed the Department of Taxation to enter into streamlined sales and use tax agreements with other states to simplify and modernize the administration of sales and use taxes. The modernization included, among other things, a system to prevent the widespread nonpayment of sales and use taxes owed from out-of-state retail transactions.



Your Committee finds that the implementation of the Streamlined Sales and Use Tax in Hawaii would benefit the State by:

- (1) Increasing the revenue to the General Fund; and
- (2) "Leveling the playing field" for local retailers by bringing equity to the State's retailers that lose sales to internet or mail order commerce.

Your Committee has amended the measure by making numerous technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes that the majority of substantive amendments made to the measure were executed to assist the State in conforming to the requirements of the Streamlined Sales and Use Tax Agreement. In addition, your Committee believes that the appropriation to the Auditor is necessary so that the Auditor and the Auditor's contractors may continue their work making recommendations to amend state tax law to comply with the Streamlined Sales and Use Tax Agreement.

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. 2222, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2222, S.D. 2.

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


BRIAN T. TANIGUCHI, Chair



The Senate
Twenty-Third Legislature
State of Hawaii

Record of Votes of the
Committee on Ways and Means
(Bills and Resolutions)

Measure:* SB 2222 SD1	Committee Referral: MAT, WAM	Date: 2/23/06		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is to: <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	Ayes	Ayes(WR)	Nays	Excused
TANIGUCHI, Brian T. (C)	/			
TSUTSUI, Shan S. (VC)	/			
ENGLISH, J. Kalani				/
ESPERO, Will	/			
FUKUNAGA, Carol	/			
HOOSER, Gary L.	/			
INOUE, Lorraine R.				/
KANNO, Brian	/			
KIM, Donna Mercado	/			
KOKUBUN, Russell S.				/
NISHIHARA, Clarence K.	/			
SAKAMOTO, Norman				/
HEMMINGS, Fred	*** ST		/	
SLOM, Sam			/	
TRIMBLE, Gordon	/			
TOTAL	9	0	2	4
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				

*Do not list more than one measure per Record of Votes.