

Honolulu, Hawaii

Feb 13, 2007

RE: H.B. No. 1755  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Sir:

Your Committee on Economic Development & Business Concerns,  
to which was referred H.B. No. 1755 entitled:

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

begs leave to report as follows:

The purpose of this bill is to clarify the applicability of the reduced general excise tax (GET) rate of 0.5 percent for business-to-business services by providing that the reduced rate applies to dealers who furnish goods or services to the purchaser of tangible personal property to fulfill the manufacturer's warranty obligation.

The Hawaii Automobile Dealers' Association supported this bill. The Department of Taxation (DoTax) commented.

Your Committee finds that to reduce the effects of pyramiding of the GET on business and consumers, the Legislature reduced the GET on business-to-business services to 0.5 percent as of January 1, 2006. This bill will dispel any confusion with regard to the rate of taxation of warranty service work performed on behalf of the manufacturer of tangible property.

Your Committee respectfully requests the Committee on Finance to evaluate the financial impact of this bill on tax revenues, which DoTax estimates will be reduced by approximately \$2,800,000 per year. Your Committee has changed the bill's effective date to July 1, 2034, to allow for further discussion of this bill.

HB1755 HD1 HSCR EDB HMS 2007-2001



As affirmed by the record of votes of the members of your Committee on Economic Development & Business Concerns that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1755, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1755, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development & Business  
Concerns,



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KYLE T. YAMASHITA, Chair



