

Honolulu, Hawaii

Feb 29, 2008

RE: H.B. No. 2540
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2540 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to ensure continuous availability of drinkable water especially in rural communities of the state by providing an income tax and general excise tax exemption for companies that provide potable water and are exempt under section 501(c)(12) of the Internal Revenue Code and collect at least 85 percent of its income from members for the sole purpose of meeting losses and expenses.

Horwath Kam & Company, Napu'u Water, Inc., and numerous concerned individuals supported this bill. The Department of Taxation and Tax Foundation of Hawaii submitted comments.

Your Committee has amended this bill by:

- (1) Removing references to the requirement that 85 percent of income collected by an eligible company would be used only for paying expenses and losses; and
- (2) Changing the effective date to January 1, 2020, to encourage further discussion.



As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2540, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2540, H.D. 1, and be placed on the calendar for Third Reading.

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


MARCUS R. OSHIRO, Chair



