

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 2961  
H.D. 2  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 2961, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to evaluate the impact of various high technology tax incentives on Hawaii's economy.

Specifically, this measure authorizes the Department of Taxation to conduct various studies on existing and proposed tax incentives, including the high technology business investment tax credit and the tax credit for research activities. This measure also makes an appropriation to carry out the purposes of this measure.

Testimony in support of this measure was submitted by the Hawaii Government Employees Association, Hawaii State Teachers Association, Hawaii Association of REALTORS, and Retail Merchants of Hawaii. Comments on this measure were submitted by the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that numerous other states have adopted the National Streamlined Sales and Use Tax Project approach in streamlining their tax systems to avoid further erosion of their tax bases in the global economy. Your Committee previously heard and passed S.B. No. 2829 S.D. 1, a measure that will position Hawaii to adopt the necessary changes to bring its tax system into



compliance with the national Streamlined Sales and Use Tax Agreement. Your Committee has amended this measure by deleting the content of H.B. No. 2961, H.D. 2, and replacing the content with S.B. No. 2829 S.D. 1. As amended, this measure:

- (1) Will support Hawaii's participation in the national Streamlined Sales and Use Tax Agreement which will level the playing field between local and out-of-state retailers on the collection and remittance of general excise and use taxes on purchases by Hawaii residents; and
- (2) Will establish a streamlined system of tax collection for sellers in a global economy that will still respect the sovereignty of state borders.

Accordingly, it is the intent of your Committee to support allowing Hawaii to participate fully in the Streamlined Sales and Use Tax Agreement. Your Committee finds that a measured and orderly approach toward stabilizing Hawaii's tax revenue base is an important step in establishing confidence in the State of Hawaii's ability to withstand the challenges of major economic downturns.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2961, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2961, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Taxation,



CAROL FUKUNAGA, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Taxation**  
**EDT**

Bill / Resolution No.:* <i>HB 2961 HD2</i>	Committee Referral: <i>EDT, WAM</i>	Date: <i>3/18/08</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <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	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani	✓			
IGE, David Y.	✓			
SLOM, Sam				✓
<i>Baker, B.H.</i>				✓
<b>TOTAL</b>	<i>4</i>			<i>2</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Will Espero</i>				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes