

Honolulu, Hawaii

MAR 15 2007

RE: H.B. No. 570
H.D. 1
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Tourism and Government Operations, to which was referred H.B. No. 570, H.D. 1, entitled:

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

begs leave to report as follows:

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

Your Committee received testimony in support of this measure from the Hawaii Tourism Authority; Department of Business, Economic Development, and Tourism; Department of Taxation, and The Chamber of Commerce of Hawaii. Comments were received from the Tax Foundation of Hawaii.

Existing law requires that the general excise tax be imposed upon amounts received from any source, unless exempted by statute. Thus, the operator of the Hawaii Convention Center, a private entity on contract with the Hawaii Tourism Authority, must pay the general excise tax for revenue it receives as part of its contract. The moneys are paid out of the Convention Center Enterprise Special Fund. Your Committee finds that the moneys paid in general excise taxes by the private contractor could otherwise be applied to the operation and marketing of the Hawaii Convention Center. The amount of general excise taxes paid in 2006 was \$700,000, according to testimony. This is a substantial



sum of money that, in effect, amounts to taking money from one government source and putting it in another of the same kind.

The intent of this measure is to relieve the inequity of what amounts to the State taxing itself for its own operations. The situation is distinguishable from the situation wherein a private entity is contracted by the State for services that are not provided by the State.

Your Committee has amended this measure by:

- (1) Placing the tax exemption in section 237-24.75, Hawaii Revised Statutes, rather than in section 237-24.7, Hawaii Revised Statutes, as your Committee believes that the exemption is more appropriately situated there;
- (2) Changing the effective date from July 1, 2025, to upon approval; and
- (3) Making a technical, nonsubstantive amendment for the purpose of clarity.

As affirmed by the record of votes of the members of your Committee on Tourism and Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 570, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 570, H.D. 1, S.D. 1, and be referred to the Committee on Economic Development and Taxation.

Respectfully submitted on
behalf of the members of the
Committee on Tourism and
Government Operations,




CLARENCE K. NISHIHARA, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Tourism and Government Operations
TSG

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 570 HD1	TSG, EDT, WAM	3-13-07		
<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
NISHIHARA, Clarence K. (C)	/			
KIM, Donna Mercado (VC)	/			
TSUTSUI, Shan S.				/
TRIMBLE, Gordon	/			
TOTAL	3			1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency		

*Only one measure per Record of Votes