

Honolulu, Hawaii

FEB 15 2007

RE: S.B. No. 1007
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 Economic Development and Taxation, to which was referred S.B. No. 1007, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to require an investment broker and agent who share compensation for their services to pay the general excise tax on only that portion of the compensation retained by each.

Your Committee received testimony in support of this measure from the National Association of Insurance and Financial Advisors Hawaii, Linsco/Private Ledger Corporation, SunAmerica Securities Inc., and one individual.

Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that this measure would extend the general excise tax (GET) provisions on commissions, which are currently available to insurance agents and real estate brokers and salespeople, to securities professionals who sell a commissionable product.

Your Committee received a revenue impact statement from the Department of Taxation that the proposal is estimated to cost \$1,400,000 annually.



In its methodology, the Department of Taxation stated that data on GET collected on non-insurance commissions was used to make the estimates, with adjustments made to remove real estate and other commissions.

Your Committee is in support of this measure to "level the playing field" regarding the payment of GET on certain commissions. Your Committee notes that in a case on this subject before the Oahu Board of Tax Appeals, the Department of Taxation lost and the Board found that the general excise tax on commissions should be only on the portion retained by the broker and by the agent.

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 S.B. No. 1007, S.D. 1, and recommends that it 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.:	Committee Referral:	Date:		
<i>SB 1007 SDI</i>	<i>CPH, EDT, WAM</i>	<i>2/13/07</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 checked="" type="checkbox"/> Pass, unamended <input type="checkbox"/> Pass, with amendments <input type="checkbox"/> Hold <input type="checkbox"/> Recommit				
<small>2312 2311 2310 2313</small>				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam	✓			
TOTAL	<i>4</i>			<i>1</i>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Will Espero</i>				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Clerk's Office	Drafting Agency		

*Only one measure per Record of Votes