

STAND. COM. REP. NO. 2286

Honolulu, Hawaii

FEB 13 2008

RE: S.B. No. 3114
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 S.B. No. 3114 entitled:

"A BILL FOR AN ACT RELATING TO REVENUE AUTHORITIES ADMINISTERED BY THE GOVERNMENT,"

begs leave to report as follows:

The purpose of this measure is to improve the efficiency of tax administration.

Specifically, this measure:

- (1) Allows for a twenty per cent penalty on any excessive refund claims;
- (2) Clarifies what information, such as the taxpayer's identity and other information, is public, and what information should be redacted on a tax appeal;
- (3) Repeals the requirement that the Department of Taxation submit to the Legislature a digest summarizing all tax laws passed by Congress in the prior calendar year;
- (4) Makes state "Kiddie Tax" provisions consistent with federal law;



- (5) Allows the Tax Administration Special Fund to be used to administer the refundable credit for research activities;
- (6) Allows "canned computer software" to qualify for the capital goods excise tax credit;
- (7) Clarifies that sales of tangible personal property sold at wholesale are taxed at the rate of 0.5 per cent;
- (8) Expands the general excise tax exemption for certain shipbuilding and ship repair businesses to subsurface vessels;
- (9) Makes debts and judgments owed to the State or counties valid claims for purposes of recordation of tax lien encumbrance records; and
- (10) Clarifies that the Department of Taxation may continue to use social security numbers in the administration of Hawaii's tax laws.

Testimony in support of this measure was submitted by the Department of Taxation and Maritime Consultants of the Pacific. Testimony in opposition of this measure was submitted by Hawaii Science & Technology Council, Navatek, Ltd., and one individual citizen. Comments on the measure were submitted by the Tax Foundation of Hawaii.

Your Committee finds that it is important for the Department of Taxation to appropriately and accurately administer taxes in Hawaii, but that this measure should not encompass that tax administration problems of multiple statutes.

Accordingly, your Committee is limiting this measure to addressing the expansion of the exemption from general excise tax for surface vessels owned by the federal government or for use out-of-state to also be applicable to similar subsurface vessels. However, your Committee notes that it did not receive a fiscal impact statement from the Department of Taxation on the exemption from general excise tax for subsurface vessels owned by the federal government or for out-of-state use.

Your Committee has amended this measure by:



- (1) Deleting its contents, except for the provision that propose to expand the general excise tax exemption for certain shipbuilding and ship repair businesses to subsurface vessels;
- (2) Applying the foregoing exemption to gross proceeds or gross income received on or after January 1, 2009; and
- (3) Making technical, nonsubstantive amendments for the purpose of clarity and style.

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. 3114, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3114, 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



