

STAND. COM. REP. NO.

2511

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 591
S.D. 2

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. 591, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to update and recodify the State's capital goods excise tax credit.

Testimony in support of this measure was submitted by the Department of Taxation and one individual citizen. Comments on this measure were submitted by the Tax Foundation of Hawaii.

Your Committee finds that this measure provides an appropriate vehicle for refinements to the capital goods excise tax credit. This measure is intended to implement the requirements of Senate Concurrent Resolution No. 115, adopted during the 2007 session, to "redraft the capital goods excise tax credit to remedy old references to repealed law and to incorporate the current status of the Internal Revenue Code." Deleting outdated references to outdated law and incorporating the current Internal Revenue Code will help taxpayers implement and understand the capital goods excise tax credit.

Your Committee has also incorporated provisions to extend the capital goods excise tax credit to include "canned" computer software, and clarified the application of the credit to include installation as an integral part of any acquisition of hardware and software for business purposes. Accordingly, it is the intent



of your Committee to recodify and update the capital goods excise tax credit.

Your Committee did not receive a fiscal impact statement from the Department of Taxation because this measure did not represent a substantive change in the way that the capital goods excise tax is administered, but to provide amendments that clarify existing law by eliminating outdated references.


Accordingly, your Committee has amended this measure by:

- (1) Redrafting the tax credit as a new part in chapter 235, Hawaii Revised Statutes, to further facilitate the ease of implementation and interpretation;
- (2) Adding a definition for "computer software";
- (3) Including "computer software" as eligible depreciable tangible personal property; and
- (4) Making technical, nonsubstantive amendments for the purpose of clarity.

Your Committee notes that the amendments to this measure will enable taxpayers to correctly put into practice the principles of the capital goods excise tax credit.

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. 591, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 591, S.D. 2.

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 591</i>	<i>EDT, WAM</i>	<i>2/14/08</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)	✓			
BAKER, Rosalyn H.	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam	✓			
TOTAL	<i>5</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 File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes