

STAND. COM. REP. NO.

3517

Honolulu, Hawaii

APR 10 2008

RE: S.C.R. No. 163
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 Ways and Means, to which was referred
S.C.R. No. 163, S.D. 1, entitled:

"SENATE CONCURRENT RESOLUTION REQUESTING THE DEPARTMENT OF
TAXATION TO EXAMINE THE PAYMENT OF GENERAL EXCISE TAXES ON
ALL COMMISSIONS EARNED BY MANUFACTURER'S SALES
REPRESENTATIVES FROM SALES OF IMPORTED TANGIBLE PERSONAL
PROPERTY THAT IS PURCHASED BY A CONSUMER DIRECTLY FROM THE
MANUFACTURER,"

begs leave to report as follows:

The purpose of this measure is to request the Department of
Taxation to examine the general excise tax assessed on commissions
earned by a manufacturer's sales representative for the sale of
imported tangible personal property that is purchased by a
consumer directly from the manufacturer.

Your Committee received comments on this measure from the
Department of Taxation.

Your Committee finds a disturbing inequity with respect to
the assessment of the general excise tax on the sale of an out-of-
state manufacturer's product in Hawaii. If a manufacturer's
product is sold locally to a consumer by the manufacturer's
representative, the general excise tax is assessed on the
representative at a rate of one-half of one per cent. But, if the
consumer orders the same product directly from the manufacturer,
the sales representative is assessed a general excise tax of four
and one-half per cent. To the detriment of the sales

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representative, the same manufacturer's product sold to the same consumer results in differing applications of the general excise tax.

Before taking legislative action on this matter, however, your Committee believes that the Legislature would benefit from the Department of Taxation's expertise, analysis, and recommendations on this issue to ultimately provide relief to manufacturer's representatives.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee concurs with the intent and purpose of S.C.R. No. 163, S.D. 1, and recommends its adoption.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



ROSALYN H. BAKER, Chair



