

STAND. COM. REP. NO.

288

Honolulu, Hawaii

FEB 20 2009

RE: S.B. No. 749

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2009  
State of Hawaii

Madam:

Your Committee on Economic Development and Technology, to which was referred S.B. No. 749 entitled:

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

begs leave to report as follows:

The purpose of this measure is to establish a general excise tax exemption for all of the gross proceeds or income arising from providing flight instruction.

Testimony in opposition of this measure was submitted by the Department of Taxation. Written testimony presented to your Committee is available for review on the Legislature's website.

Your Committee finds that providing a general excise tax exemption for the services offered by flight training schools will provide a tax incentive that would increase the likelihood that flight training schools will be developed and located in Hawaii. Your Committee also finds that the Department of Taxation's projected annual loss in general excise tax revenues does not take into consideration the fact that no general excise tax revenues are presently being recouped by the State for services offered by flight training schools and that the Department's estimated revenue loss fails to consider increases in other tax revenues that will be received by the State from the flight training schools, such as income, withholding, and employment taxes. Those additional tax revenues would more than likely offset any losses of the State from general excise tax revenues.



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Your Committee received a fiscal impact statement from the Department of Taxation that this measure, as introduced, would result in an annual revenue loss to the State of \$210,000. Their methodology is as follows:

The Department of Taxation estimates that there would be seven flight training schools located in Hawaii and that each training school would average an annual general excise tax liability of \$30,000, thus a total general excise tax loss to the State of \$210,000 each year.

Your Committee believes that the impact of this measure must be measured in conjunction with the benefits attributable to increased economic activity from the combination of this measure and S.B. No. 1299, which includes businesses engaged in flight simulator training as a qualified business for purposes of the enterprise zone laws.

As affirmed by the record of votes of the members of your Committee on Economic Development and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 749 and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Technology,



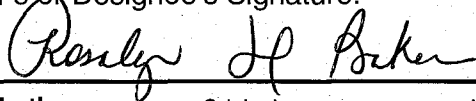
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CAROL FUKUNAGA, Chair



The Senate  
Twenty-Fifth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Technology**  
**EDT**

Bill / Resolution No.:* <b>SB 749</b>	Committee Referral: <b>EDT, WAM</b>	Date: <b>2-13-09</b>		
<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 2312 <input 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)	✓			
BAKER, Rosalyn H. (VC)	✓			
HEE, Clayton				✓
IGE, David Y.	✓			
SLOM, Sam	✓			
<b>TOTAL</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes