

Honolulu, Hawaii

Feb 26 , 2010

RE: H.B. No. 2595
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2595 entitled:

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

begs leave to report as follows:

The purpose of this bill is to strengthen and bring fairness to the general excise tax (GET) system by:

- (1) Precluding a taxpayer from using a general excise tax benefit, including exemptions, deductions, lower rates, or income splitting, unless the taxpayer follows specified administrative requirements; and
- (2) Creating a personal trust fund liability for businesses that use the GET as the basis for increasing prices and ensures those funds are paid to the State.

The Department of Taxation testified in support of this bill. The Chamber of Commerce of Hawaii, National Federation of Independent Business, Accuity LLP, Hawaii Society of Certified Public Accountants, and several concerned individuals testified in opposition to this measure. The Tax Foundation of Hawaii AND Hawaii Alliance of Nonprofit Organizations provided comments.

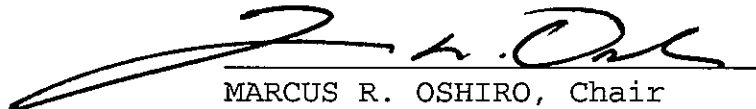


Your Committee has amended this bill by:

- (1) Authorizing the Director of Taxation to waive the denial of the general excise tax benefit if failure to comply is due to reasonable cause and not to the wilful neglect of the taxpayer;
- (2) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2595, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2595, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



