

STAND. COM. REP. NO.

3046

Honolulu, Hawaii

APR 01 2010

RE: H.B. No. 2595
H.D. 1
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 2595, H.D. 1, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to strengthen and improve the efficiency of the general excise tax by providing stricter regulation of taxpayers that claim a general excise tax benefit, including exemptions, deductions, lower rates, or income splitting.

The measure also:

- (1) Creates a trust fund liability for taxes collected by a business, regardless of whether the amount is separately stated;
- (2) Designates an officer, member, manager, or other person having control, supervision, responsibility, or a duty to act for the taxpayer regarding general excise tax return filing or payment, who shall be personally liable for the unpaid amount of the taxes collected and held in trust, plus interest and penalties; and
- (3) Requires the Department of Taxation to conduct periodic reviews of all housing projects for which a claimant has received a general excise tax exemption.



Your Committee received comments in support of the measure from the Department of Taxation. The Department of the Attorney General and the Hawaii Association of Realtors submitted comments. Written comments presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that requiring businesses that are exempt from the general excise tax to comply with all administrative requirements of the Department of Taxation necessary to maintain their exempt status will greatly assist in the administration of the general excise tax. Furthermore, this measure will help to ensure that the general excise tax that is passed on by a business to consumers will actually be paid by the business. Your Committee finds that this measure will restore efficiency and fairness in the administration of Hawaii's general excise tax without increasing the tax rate, repealing exemptions, or placing additional unreasonable burdens on businesses.

Upon further consideration, your Committee has amended this measure by:

- (1) Adding two new sections that amend sections 46-15.1 and 201H-36, Hawaii Revised Statutes, to require taxpayers to provide certain information relating to claims for credits or exemptions from the general excise tax to the Department of Hawaiian Home Lands and the Hawaii Housing Finance and Development Corporation, respectively;
- (2) Requiring a taxpayer to consent to public disclosure of the information as a condition of claiming a credit or exemption from general excise tax;
- (3) Requiring the information to be available for public inspection and dissemination under chapter 92, Hawaii Revised Statutes;
- (4) Allowing, rather than requiring, the Director of Taxation to conduct periodic reviews of all housing projects for which a claimant has received a general excise tax exemption; and
- (5) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.



The written comments may be viewed on the Legislature's website.

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 is in accord with the intent and purpose of H.B. No. 2595, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2595, H.D. 1, S.D. 2.

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



DONNA MERCADO KIM, Chair



