

Honolulu, Hawaii

Feb 26, 2010

RE: H.B. No. 2877  
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. 2877 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill, as received by your Committee, is to address the current fiscal crisis facing the State by temporarily suspending the General Excise Tax (GET) exemption for certain:

- (1) Persons and instead require those persons to pay the GET at the one-half percent rate; and
- (2) Amounts of gross income and gross proceeds of sale for certain sales and services and to instead assess the GET at a rate of one-half percent for those amounts.

Prior to the hearing, your Committee circulated a proposed House Draft 1 (H.D. 1) for review and comment. A public hearing was held on, and testimony was received for, the proposed H.D. 1.

As amended, the purpose of this bill is to address the current fiscal crisis facing the State by temporarily suspending the GET exemption for certain persons and instead requiring those persons to pay the GET at the one-half percent rate.



The Policy Advisory Board for Elder Affairs and Hawaii Bar Owners Association testified in support of this bill. The Hawaii Housing Finance and Development Corporation; Hawaii Tourism Authority; Mutual Housing Association of Hawaii, Inc.; Land Use Research Foundation of Hawaii; Foresters; National Fraternal Congress of America; Wyndham Worldwide; Kilakila Employer Services, Inc.; Castle & Cooke Hawaii; Retail Merchants of Hawaii; ALTRES, Inc.; Hawaii Bankers Association; Outrigger Hotels; EAH Housing; Knights of Columbus; American Resort Development Association-Hawaii; Hawaii Credit Union League; and many concerned individuals opposed this measure. The Department of Taxation (DOTAX), Tax Foundation of Hawaii, Hawaii Association of REALTORS, The Chamber of Commerce of Hawaii, Ship Repair Association of Hawaii, ILWU Local 142, and a concerned individual provided comments.

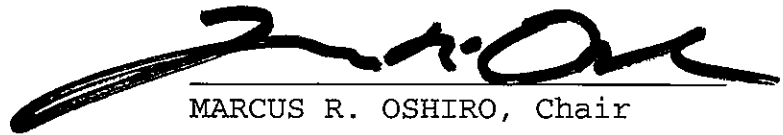
Your Committee has further amended this bill by, among other things:

- (1) Inserting new and deleting previously identified persons and certain amounts of gross income or proceeds for which this bill suspends the GET exemption;
- (2) Requiring the payment of the GET by the affected entities at a one percent rate;
- (3) Temporarily suspending the exemptions for certain persons and certain amounts of gross income or proceeds from the Use Tax and Public Service Company Tax;
- (4) Requiring the payment of the Use Tax and Public Service Company Tax by the affected entities at a one percent rate;
- (5) Authorizing DOTAX to permit taxpayers to postpone payment of taxes due in early fiscal year 2010-2011 until the deadline to file the annual general excise, use, or public service company tax return, as applicable (without regard to any extension);
- (6) Deleting provisions specifying years beginning after December 31, 2009, and ending before January 1, 2016, as the applicable taxable years; and
- (7) Making technical, nonsubstantive changes 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. 2877, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2877, 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



