

STAND. COM. REP. NO.

3024

Honolulu, Hawaii

APR - 1 2010

RE: H.B. No. 2962  
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. 2962, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to amend Hawaii's general excise and use tax laws to allow Hawaii to participate in the national Streamlined Sales and Use Tax Agreement.

Your Committee received comments in support of this measure from the Hawaii Association of Realtors, the Hawaii Government Employees Association, the Retail Merchants of Hawaii, and one concerned individual. Your Committee received comments in opposition to this measure from the Department of Taxation. The Tax Foundation of Hawaii submitted comments on this measure. The written comments may be reviewed on the Legislature's website.

Your Committee finds that in 2008, an estimated \$245,500,000 in use taxes went uncollected by Hawaii. The adoption of the Streamlined Sales Tax and Use Agreement would allow Hawaii to capture some of this uncollected tax from the other twenty-three states that participate in the agreement. To participate in, and conform to the Streamlined Sales and Use Tax Agreement, would require Hawaii to amend its general excise and use tax laws and adopt a single tax rate. Participation in this national agreement would allow Hawaii to more effectively collect the use tax on out-of-state purchases, such as those made over the Internet. This

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measure would enable local businesses to compete more effectively with out-of-state sellers that, for the most part, do not collect and remit the Hawaii use tax. Your Committee also finds that the collection of the use tax on out-of-state purchases would provide an additional source of tax revenue for the State, which is especially significant during the current budgetary crisis.

Your Committee has amended this measure by:

- (1) Temporarily disallowing tax liabilities from being reduced by tax credits under the Technology Infrastructure Renovation Tax Credit and High Technology Business Investment Tax Credit; and
- (2) Changing the effective date to July 1, 2050, to encourage further discussion on the measure.

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. 2962, 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. 2962, H.D. 1, S.D. 2.

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




DONNA MERCADO KIM, Chair



The Senate  
Twenty-Fifth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2962 HD1 SD1	EDT, WAM	3-29-10		
<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 type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	/			
TSUTSUI, Shan S. (VC)	/			
CHUN OAKLAND, Suzanne		/		
ENGLISH, J. Kalani		/		
FUKUNAGA, Carol			/	
GALUTERIA, Brickwood	/	/		
HEE, Clayton				/
HOOSER, Gary L.		/		
KIDANI, Michelle N.	/			
KOKUBUN, Russell S.	/			
TOKUDA, Jill N.	/			
HEMMINGS, Fred			/	
<b>TOTAL</b>	<b>5</b>	<b>4</b>	<b>2</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