

Honolulu, Hawaii

APR 12 2010 , 2010

RE: S.B. No. 2405
S.D. 2
H.D. 1
C.D. 1

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

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

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 2405, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to:

- (1) Amend section 235-7, Hawaii Revised Statutes, (gross income, adjusted gross income, and taxable income) to establish that no net operating loss carryback generated in taxable year 2009 under this chapter, may be claimed for taxable years 2007 and 2008, and no net operating loss carryback generated in taxable year 2010, may be claimed for taxable years 2008 and 2009 (part I);
- (2) Add a new section to chapter 235, Hawaii Revised Statutes, to establish caps on itemized tax deductions, ranging from



\$50,000 to \$100,000, to be repealed on December 31, 2015 (part II); and

- (3) Amend section 235-110.7, Hawaii Revised Statutes, (capital goods excise tax credit) to remove the refunding feature of the capital goods excise tax credit from January 1, 2010, to December 31, 2015 (part III).

Your Committee on Conference has incorporated the provisions of this measure into H.B. No. 1907, H.D. 1, S.D. 1, C.D. 1, and replaced the contents of this measure with the Senate version, S.B. No. 2405, S.D. 2, and amended the effective date.

Specifically, this measure adopts changes to Hawaii's tax laws that will allow Hawaii to participate in the national Streamlined Sales and Use Tax Agreement by:

- (1) Moving the one-half of one per cent tax rate for wholesale transactions to a new chapter;
- (2) Adding a new chapter on the taxation of imports of property, services, and contracting;
- (3) Moving the 0.15 per cent tax on insurance producers to a new chapter;
- (4) Eliminating the tax on businesses owned by disabled persons;
- (5) Providing for destination-based sourcing and amnesty;
- (6) Establishing a 6-member committee, administratively attached to the Department of Taxation, to oversee the Department's implementation and administration of, and compliance with the Streamlined Sales and Use Tax Agreement; and
- (7) Making the Act effective when the State becomes a party to the Streamlined Sales and Use Tax Agreement; provided that section 32, which creates a committee to oversee the Department of Taxation's implementation and administration of, and compliance with the Streamlined Sales and Use Tax Agreement, shall take effect on approval.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your

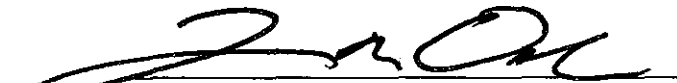


Committee on Conference is in accord with the intent and purpose of S.B. No. 2405, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 2405, S.D. 2, H.D. 1, C.D. 1.

Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE


MARCUS R. OSHIRO, Chair


CAROL FUKUNAGA, Chair


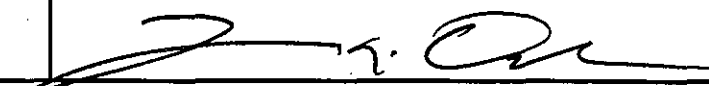

DONNA MERCADO KIM, Co-Chair



Hawaii State Legislature

CCR 52-10

Record of Votes of a Conference Committee

Bill / Concurrent Resolution No.: SB 2405, SD 2, HD 1					Date/Time: <i>April 10, 2010 / 12:55 pm</i>				
<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).									
<input type="checkbox"/> The Committee is reconsidering its previous decision.									
<input checked="" type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					<input checked="" type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.				
Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
FUKUNAGA, Carol, Chr.	✓				OSHIRO, Marcus R., Chr.	✓			
KIM, Donna Mercado, Co-Chr.	✓				CHONG, Pono	✓			
BAKER, Rosalyn H.	✓				CHOY, Isaac W.	✓			
KOKUBUN, Russell S.	✓				LEE, Marilyn B.	✓			
TSUTSUI, Shan S.				✓					
TOTAL	4			1	TOTAL	4			
A = Aye		WR = Aye with Reservations			N = Nay		E = Excused		
Senate Recommendation is:					House Recommendation is:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Senate Lead Chair's or Designee's Signature:					House Lead Chair's or Designee's Signature:				
									
Distribution: Original					Yellow Pink Goldenrod				
File with Conference Committee Report					House Clerk's Office Senate Clerk's Office Drafting Agency				