

Honolulu, Hawaii

Apr. 11, 2010

RE: S.B. No. 2405
S.D. 2
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 S.B. No. 2405, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

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

The Hawaii Government Employees Association, Retail Merchants of Hawaii, Hawaii Association of REALTORS, and National Association of Social Workers supported this bill. The Department of Taxation opposed this measure. The Tax Foundation of Hawaii and Hawaii Alliance of Nonprofit Organizations provided comments.

Your Committee has amended this bill by deleting its contents and replacing it with the substance of H.B. No. 1907, H.D. 1. As amended this measure addresses, in part, the fiscal concerns facing the State by:

- (1) Temporarily suspending the income tax net operating loss carryback deduction for losses generated in 2009 and 2010;
- (2) Placing a temporary cap on itemized deductions claimed on state income tax returns, making the cap applicable

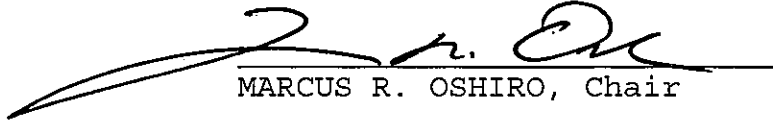


to taxable years beginning after December 31, 2009, and repealing the cap on December 31, 2015; and

- (3) Removing the refunding feature of the Capital Goods Excise Tax Credit from January 1, 2010, to December 31, 2015.

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 S.B. No. 2405, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2405, S.D. 2, 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



