

Honolulu, Hawaii

April 1, 2010

RE: S.B. No. 2643
S.D. 1
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. 2643, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this bill is to make permanent the general excise tax exemptions for condominium common expenses paid by managers, submanagers, and suboperators, and for hotel employee expenses paid by hotel operators and timeshare projects.

Wyndham Worldwide, the Hawaii Association of REALTORS, Outrigger Hotels, American Resort Development Association-Hawaii, Marriott Vacation Club International, and Starwood Vacation Ownership supported this bill. The Tax Foundation of Hawaii provided comments.

Your Committee has amended this bill by deleting its contents and replacing it with the substance of H.B. 2783, H.D. 2. As amended, this measure supports Hawaii's visitor and real estate industries by:

- (1) Capping the aggregate General Excise Tax (GET) exemption on amounts received by operators from a time share association and suboperators from hotel owners, time share associations, and operators, at \$400,000 per calendar year beginning January 1, 2010;



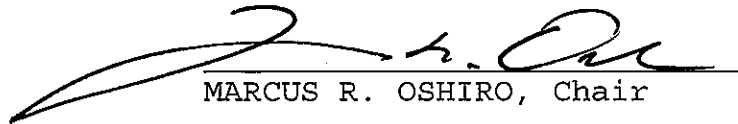
- (2) Making the GET exemption on the amounts received as reimbursement of the sums paid for common expenses by condominium and homeowners or community association submanagers (submanagers), retroactive to July 1, 2006; and
- (3) Repealing the provisions that made the GET cap of \$400,000 for operators, suboperators, and submanagers applicable to taxable years ending on or between January 1, 2010, and January 1, 2011.

Your Committee has further amended this bill by:

- (1) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (2) Adding a sunset date of January 1, 2014.

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. 2643, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2643, S.D. 1, 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



