

STAND. COM. REP. NO.

2102

Honolulu, Hawaii

FEB - 9 2010

RE: S.B. No. 2887
S.D. 1

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

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2887 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to streamline the process by which nonresident property owners pay taxes upon transfers of property located within the State.

Your Committee received testimony in support of this measure from American Resort Development Association-Hawaii, Marriott Vacation Club International, Inc., and Starwood Vacation Ownership. Testimony with comments was received from the Department of Taxation and Tax Foundation of Hawaii. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that this measure balances the needs of the State to effectively and efficiently operate its tax collections with the interest of a property owner in efficiently completing real estate transactions where no tax is owed, such as the sale of property at a loss in a foreclosure process. Your Committee further finds that this measure serves the goal of fair and efficient administration of the State's tax laws by providing that an individual's liability for failure to file upon the transfer of real property shall not exceed the amount of tax actually owed. Your Committee notes that this provision preserves



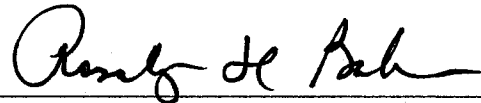
the State's right to collect any applicable penalties and interest.

Your Committee has amended this measure by:

- (1) Clarifying that a transferee that acquires a deed in lieu of foreclosing on the property shall furnish an affidavit stating so to the Department of Taxation;
- (2) Adding a new provision that creates a de minimus exception to tax liability for a time share that does not exceed \$100,000 in value; and
- (3) Making nonsubstantive technical changes for the purposes of clarity and accuracy.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2887, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2887, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair



