

STAND. COM. REP. NO.

450

Honolulu, Hawaii

Feb 18, 2011

RE: H.B. No. 1183

H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Economic Revitalization & Business, to which was referred H.B. No. 1183 entitled:

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

begs leave to report as follows:

The purpose of this measure is to minimize the loss of revenues of local businesses due to sales by out-of-state online retailers.

Specifically, the measure:

- (1) Creates a nexus standard for taxing out-of-state businesses on their business activities in Hawaii;
- (2) Amends the definition of "engaging in business" with regard to the general excise tax to include persons who enter into an agreement with residents of the State, where the person pays a commission for referral of potential customers; and
- (3) Allows out-of-state businesses to file information regarding sales to residents of the State, instead of collecting and remitting general excise taxes to the department of taxation.



One private individual testified in support of the measure. The Department of Taxation supported the intent of the measure. The Tax Foundation of Hawaii commented on the measure.

Your Committee finds that this measure proposes an approach to collecting the general excise tax on out-of-state purchases. However, your Committee notes the concerns raised by the Department of Taxation that the measure could cause a revenue loss by allowing businesses that already have nexus in the State to stop paying the general excise tax and file an informational return instead. Your Committee respectfully requests that the Committee on Finance further consider this issue and the concerns raised by the Department of Taxation regarding the difficulties that the Department would encounter in collecting the use tax from consumers.

Your Committee has amended this measure by changing the effective date to July 1, 2112, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Economic Revitalization & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1183, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1183, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Revitalization & Business,



ANGUS L.K. MCKELVEY, Chair



