

STAND. COM. REP. NO. 349

Honolulu, Hawaii
Feb 16, 2011

RE: H.B. No. 364
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. 364 entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT,"

begs leave to report as follows:

The purpose of this bill is to stimulate consumer spending by establishing an annual exemption from the general excise tax for amounts received from the retail sale of:

- (1) Books sold for less than \$50 per book;
- (2) Clothing items sold for less than \$100 per item;
- (3) Computers, computer software, and computer supplies sold for less than a total of \$1,500; and
- (4) School supplies sold for less than \$15 per item.

Retail Merchants of Hawaii and a concerned individual supported this bill. The Chamber of Commerce of Hawaii and the Department of Taxation supported the intent of this measure. The Tax Foundation of Hawaii submitted comments.

Your Committee notes that during the public discussion on this matter, concerns were raised regarding the price limits on computer purchases contained in this measure that preclude purchases \$1,500 or greater from being eligible for the tax

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exemption. Your Committee respectfully requests your Committee on Finance to consider this issue as this bill moves forward in the legislative process.

In light of concerns raised in testimony, your Committee has amended this measure by:

- (1) Establishing that all savings generated by the tax exemption provided for in this section shall be passed on by the seller to the purchaser without any increase in price;
- (2) Specifying that the tax exemption provided for in this bill shall not apply to:
 - (A) Rebates, layaway sales, rain checks, or exchanges, when the transactions occur before or after the tax exemption period; and
 - (B) Mail, telephone, e-mail, or Internet orders with businesses operating outside the State;
- (3) Changing its effective date to July 1, 2112, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for style, clarity, and consistency.

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. 364, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 364, 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



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

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Record of Votes of the Committee on Economic Revitalization & Business

Bill/Resolution No.: HB 364	Committee Referral: ERB, FIN	Date: 2/8/11		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
ERB Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	/			
2. CHOY, Isaac W. (VC)	/			
3. AWANA, Karen L.	/			
4. BROWER, Tom	/			
5. EVANS, Cindy	/			
6. HASHEM, Mark J.	/			
7. NISHIMOTO, Scott Y.	/			
8. TOKIOKA, James Kunane	/			
9. TSUJI, Clift	/			
10. MARUMOTO, Barbara C.	/			
11. PINE, Kymberly Marcos	/			
TOTAL (11)	11	0	0	0
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ committee acronym(s) _____ did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				