

STAND. COM. REP. NO.

679

Honolulu, Hawaii

March 4, 2011

RE: H.B. No. 799
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 Finance, to which was referred H.B. No. 799
entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill as received by your Committee is to temporarily suspend the exemptions from the general excise tax and use tax for certain persons and certain amounts of gross income or proceeds and require that these amounts be assessed at a rate of one percent.

For the purposes of a public hearing, your Committee circulated a proposed H.D. 1 that:

- (1) Changes the assessed rate from one percent to four percent;
- (2) Temporarily repeals an additional 12 general excise tax exemptions;
- (3) Imposes a reporting requirement for exclusions or exemptions on amounts received by certain persons and organizations even if the person or organization meets certain federal tax filing exemptions; and
- (4) Makes technical, nonsubstantive amendments for clarity, consistency, and style.

HB799 HD1 HSCR FIN HMS 2011-2704 A



Anheuser Busch Companies; ILWU Local 142; University of Hawaii Foundation; District 50 Hawaii Lions; Hawaii State Bar Association; Hawaii Community Foundation; Subcontractors Association of Hawaii; Retail Merchants of Hawaii; Aloha Society of Association Executives; Norwegian Cruise Line; North West and Canada Cruise Association; Goodwill Industries of Hawaii, Inc.; National Kidney Foundation of Hawaii; The YMCA of Honolulu; Waianae Coast Early Childhood Services; Pacific Gateway Center; Housing Solutions Inc.; Aloha United Way; Hawaii Association of Independent Schools; Hawaii Hotel & Lodging Association; Hawaii Primary Care Association; Hawaii Youth Services Network; Building Industry Association of Hawaii; Historic Hawaii Foundation; Hospice Hawaii, Inc.; Hawaii Credit Union League; Hawaii People's Fund; Volcano Art Center; Hoola Lahui Hawaii; Hawaii County Economic Opportunity Council; Doris Todd Memorial Day Christian School; Kauai Planning & Action Alliance; Airlines Committee of Hawaii; The Queen's Health Systems; Hawaiian Airlines; Architectural Diagnostics Ltd.; Ku Aloha Ola Mau; Marimed Foundation; Hawaii Branch of the International Dyslexia Association; Lanakila Pacific; W. M. Keck Observatory; Holualoa Foundation for Arts and Culture; Navy Hale Keiki School; Pacific Telecommunications Council of Hawaii; Island Pacific Academy; and numerous concerned individuals opposed this bill. The Department of Taxation; Department of Environmental Services of the City and County of Honolulu; Tax Foundation of Hawaii; The Chamber of Commerce of Hawaii; Outrigger Hotels Hawaii; Covanta Energy Corporation; Healthcare Association of Hawaii; Hawaii Chronic Obstructive Pulmonary Disease Coalition; Coalition for a Tobacco-Free Hawaii; Hawaii Farm Bureau Federation; Alexander & Baldwin, Inc.; Board of Directors of the Maui Choral Arts Association; National Council of Nonprofits; Hawaii Harbors Users Group; Hawaii HomeOwnership Center; Kahuna Valley; Hawaii Association of REALTORS; and a concerned individual provided comments.

Your Committee has amended this bill by adopting the proposed H.D. 1.

Your Committee has further amended this bill by:

- (1) Inserting a graduated assessment rate for both the general excise and use taxes as follows:

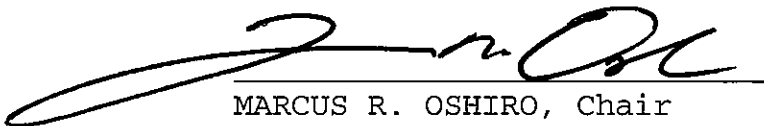
- (A) Two percent from January 1, 2012, to December 31, 2012;



- (B) Three percent from January 1, 2013 to December 31, 2013; and
- (C) Four percent from January 1, 2014, to June 30, 2015;
- (2) Changing the period of the exemption suspension from state fiscal years to taxable years, thereby commencing the suspension on January 1, 2012, and ending the suspension on June 30, 2015;
- (3) Specifying that the general excise tax imposed under this measure will not apply to any gross income or gross proceeds of sale that cannot legally be taxed under federal law;
- (4) Restoring 15 general excise tax exemptions and two use tax exemptions; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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 H.B. No. 799, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 799, 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



