

STAND. COM. REP. NO. 1457

Honolulu, Hawaii
April 8, 2011

RE: S.B. No. 778
S.D. 1
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 S.B. No. 778, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to repeal Act 155, Session Laws of Hawaii 2010 (Act 155), which:

- (1) Requires all businesses that enjoy general excise tax (GET) exemptions to register to do business in Hawaii, timely file their annual GET returns, and expressly claim their entitlement; and
- (2) Establishes a personal trust liability for businesses that use the GET as the basis for increasing prices, to ensure those funds are paid to the State for the benefit of consumers and businesses.

The Chamber of Commerce of Hawaii; Hawai'i Alliance of Nonprofit Organizations; Tax Committee of the Hawaii Society of Certified Public Accountants; Chun, Kerr, Dodd, Beaman & Wong; and several concerned individuals supported this bill. The Department of Taxation and Tax Foundation of Hawaii commented on this measure.

SB778 HD1 HSCR FIN HMS 2011-3652

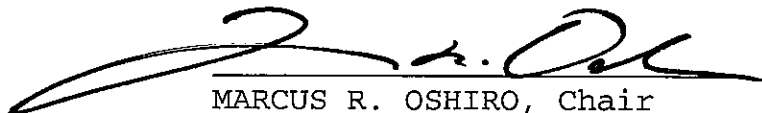


Considering the merits of Act 155, your Committee has amended this bill by deleting its substance and inserting provisions that amend the codified provisions of Act 155. As amended, this bill:

- (1) Includes an additional requirement for a taxpayer to qualify for GET benefits, to provide that the taxpayer claiming a GET benefit must owe less than 50 percent of the taxpayer's total GET liability;
- (2) Defines "reasonable cause" with respect to the Director of Taxation's authority to waive denial of the GET benefit if failure to comply is due to reasonable cause and not to the willful neglect of the taxpayer;
- (3) Specifies that there shall be personal liability for general excise taxes imposed for gross income or gross proceeds for gross excise tax liability not paid;
- (4) Deletes provisions under section 237-41.5, Hawaii Revised Statutes, that make a person personally liable for interest and penalties on general excise taxes; and
- (5) Specifies a July 1, 2030, effective date to facilitate continued discussion on this bill.

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. 778, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 778, 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



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

HSCE 1457

Record of Votes of the Committee on Finance

| Bill/Resolution No.: SB 778, SDI | Committee Referral: FIN | Date: 4/4/11 | | |
|---|-----------------------------------|------------------------|------|---------|
| <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) | | | | |
| FIN Members | Ayes | Ayes (WR) | Nays | Excused |
| 1. OSHIRO, Marcus R. (C) | ✓ | | | |
| 2. LEE, Marilyn B. (VC) | ✓ | | | |
| 3. CHONG, Pono | ✓ | | | |
| 4. CHOY, Isaac W. | ✓ | | | |
| 5. COFFMAN, Denny | ✓ | | | |
| 6. CULLEN, Ty | ✓ | | | |
| 7. HAR, Sharon E. | ✓ | | | |
| 8. HASHEM, Mark J. | ✓ | | | |
| 9. ICHIYAMA, Linda | ✓ | | | |
| 10. JORDAN, Jo | | ✓ | | |
| 11. LEE, Chris | ✓ | | | |
| 12. MORIKAWA, Dee | ✓ | | | |
| 13. TOKIOKA, James Kunane | ✓ | | | |
| 14. YAMASHITA, Kyle T. | ✓ | | | |
| 15. MARUMOTO, Barbara C. | ✓ | | | |
| 16. RIVIERE, Gil | ✓ | | | |
| 17. WARD, Gene | | | | ✓ |
| TOTAL (17) | 15 | 1 | 0 | 1 |
| The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s) | | | | |
| Vice Chair's or designee's signature: <u>Marilyn B. Lee</u> | | | | |
| Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO | | | | |