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## HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

### TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB SB 1107, SD 1 RELATING TO GENERAL EXCISE TAX

**TESTIFIER:** FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR  
DESIGNEE)  
**COMMITTEE:** ERB  
**DATE:** MARCH 22, 2011  
**TIME:** 8:00AM  
**POSITION:** OPPOSED

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This measure's stated intent is to expand the common paymaster exemption; however, it also appears to expand the related entities exemption.

The Department of Taxation (Department) is **opposed**.

It is the Department's understanding that the bill's intent is to expand the related entities exemption under HRS § 237-23.5 in two ways: (1) by diluting the requirements in order for two entities to be deemed "related," and (2) by expanding the types of services which qualify for the exemption.

The Department is opposed to expanding the related entities exemption in either of these two ways. However, if it is the committee's intent to move the bill forward, the Department recommends the bill be entirely re-written, using workable language which explains exactly to what extent the committee would like the common ownership requirements diluted and to what extent it wants the definition of "services" expanded. The Department also questions the need to expand the very narrow provisions of the federal common paymaster definition. At a time when the Legislature is considering eliminating existing exemption, it would not be prudent to expand this existing exemption.