

SB 1107

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Expand common paymaster exemption

BILL NUMBER: SB 1107; HB 848 (Identical)

INTRODUCED BY: SB by Chun Oakland and 2 Democrats; HB by Say

BRIEF SUMMARY: Amends HRS section 237-23.5 to provide that the general excise tax shall not be applicable to amounts received by one related entity under IRC section 267 to another IRC section 267 entity. The chapter shall not apply to amounts received by a common paymaster that are disbursed as remuneration to employees of two or more related persons where the common paymaster is making such remunerations on behalf of the related persons. Such amounts received or disbursed by the common paymaster shall include payments of payroll taxes and employee benefits that the common paymaster is making on behalf of the related persons and are payments which the for the employees are being remunerated.

Requires each related person using a common paymaster or multiple common paymaster to keep separate payroll records and other documentation required to prove the existence of concurrent employment. The records and documents shall be available for inspection by the director of taxation during normal business hours.

Defines “common paymaster” and “related persons” for purposes of the measure.

EFFECTIVE DATE: July 1, 2011

STAFF COMMENTS: Currently the common paymaster general excise tax exemption is applicable to: (1) an affiliated group of corporations within the meaning of section 1504 (with respect to affiliated group defined) of the federal Internal Revenue Code of 1986, as amended; (2) a controlled group of corporations within the meaning of section 1563 (with respect to definitions and special rules) of the federal Internal Revenue Code of 1986, as amended; (3) those entities connected through ownership of at least **eighty** percent of the total value and at least **eighty** percent of the total voting power of each such entity (or combination thereof), including partnerships, associations, trusts, S corporations, nonprofit corporations, limited liability partnerships, or limited liability companies; and (4) any group or combination of the entities described in paragraph (3) constituting a unitary business for income tax purposes.

The proposed measure expands the common paymaster provisions to include IRC section 267 entities. While section 267 entities are entities connected through ownership of at least **fifty** rather than **eighty** percent of the total value and at least **fifty** rather than **eighty** percent of the total voting power of each such entity (or combination thereof), if this measure is adopted and expands the common paymaster general excise tax exemption, such transactions should be examined to ensure that only those common paymaster transactions are exempt. Further, as drafted, the changes being proposed in this bill may have unintended consequences for those companies that meet the eighty percent test insofar as the application

of Code sections 1504 and 1563. Instead of tagging the Section 267 entities onto the common paymaster provisions, consideration might be given to adding a new paragraph to HRS section 237-24.7 where the reimbursement of payroll and employee benefits by a related company is addressed. It should be noted that when the common paymaster provisions were established by Sections 1504 and 1563 in 1988, the eighty percent ownership was a critical test as to the applicability of the exemption. To now dilute that test raises questions about the appropriateness of the exemption.

If, in fact, this is a simple reimbursement of costs for payroll and employee benefits without any additional consideration, then the transaction is already exempt under HRS Sec. 237-20, provided there is no additional fee or remuneration for the disbursing paymaster for providing that service. Therefore, it appears that these particular related companies are indeed compensating the paymaster for this service and, therefore, are seeking this special treatment.

Digested 2/4/11

JN Group, Inc.

fka WHOLESAL MOTOR, INC.

ESTABLISHED IN 1961

2999 N. Nimitz Highway Honolulu, Hawaii 96819-1903

Phone: 808.831.2500 Fax: 808.831.2594 www.jnautomotive.com

JN Automotive Group

February 7, 2011

JN Chevrolet

JN Mazda

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means

Audi of Hawaii

Members of the Senate Committee on Ways and Means

Ferrari of Hawaii

RE: **SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Maserati of Hawaii

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

Lamborghini Hawaii

I wish to **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. The bill will help to stabilize our economy. Our current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

Bentley Honolulu

JN Lotus

La Collezione Nicolai

The bill if passed would allow a common paymaster business entity to not be required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred.

JN Car and Truck Rentals

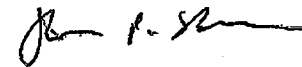
I urge your approval of this bill.

JN Leasing

JN Advertising

JN Development

Sincerely,



Joseph P. Nicolai

President

JN Group, Inc.

2999 N. Nimitz Highway

Honolulu, HI 96819-1903



Oshima Company CPA

A Limited Liability Company

February 7, 2011

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

**RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. With the high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling payroll, it is not uncommon for a company with multiple different but related entities to put its employees under one common paymaster.

I am an practicing CPA with a number of clients who are affected by the current situation and who are unjustly being assessed the general excise tax on transactions which in my opinion are not income to the common paymaster entity.

The passage of SB1107 will allow companies to have a common paymaster to pay employees of two or more related businesses, and be exempt from general excise tax, on behalf of the related businesses, where the applicable relationship is defined under Section 267(b) of the IRC Code

I urge your approving Senate Bill SB1107.

Sincerely,

(Dick) Isoo Oshima, CPA

JAMES W. Y. WONG

3737 Manoa Road

Honolulu, Hawaii 96822

Phone: (808) 946-2966 Fax: (808) 943-3140

February 8, 2011

VIA WEB

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Ways and Means Committee
Members of the Senate Ways and Means Committee

RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX

HEARING DATE: February 10, 2011 at 9:00 a.m. in Conference Room 211

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. With the high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling payroll, it is not uncommon for a company with multiple different but related entities to put its employees under one common paymaster.

The current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Through the adoption of section 267 of the IRC Code into the HRS section 237-23 as it relates to general excise tax law, related parties will not have to pay general excise tax between related parties as it relates to reimbursable expenses. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The passage of SB1107 will allow companies to have a common paymaster to pay employees of two or more related businesses, and be exempt from general excise tax, on behalf of the related businesses, where the applicable relationship is defined under Section 267(b) of the IRC Code

I urge your approving Senate Bill SB1107

Aloha,



February 8, 2011

VIA WEB

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Ways and Means Committee
Members of the Senate Ways and Means Committee

RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX

HEARING DATE: February 10, 2011 at 9:00 a.m. in Conference Room 211

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. With the high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling payroll, it is not uncommon for a company with multiple different but related entities to put its employees under one common paymaster.

The current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Through the adoption of section 267 of the IRC Code into the HRS section 237-23 as it relates to general excise tax law, related parties will not have to pay general excise tax between related parties as it relates to reimbursable expenses. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The passage of SB1107 will allow companies to have a common paymaster to pay employees of two or more related businesses, and be exempt from general excise tax, on behalf of the related businesses, where the applicable relationship is defined under Section 267(b) of the IRC Code

I urge your approving Senate Bill SB1107

Aloha,



Greg Wittenman
3651 Puuhā Mahaiāi

Anthony Martyak
520 Lunalilo Home Road, #115
Honolulu, HI 96825

February 8, 2011

VIA WEB

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Ways and Means Committee
Members of the Senate Ways and Means Committee

RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX

HEARING DATE: February 10, 2011 at 9:00 a.m. in Conference Room 211

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. With the high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling payroll, it is not uncommon for a company with multiple different but related entities to put its employees under one common paymaster.

The current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Through the adoption of section 267 of the IRC Code into the HRS section 237-23 as it relates to general excise tax law, related parties will not have to pay general excise tax between related parties as it relates to reimbursable expenses. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The passage of SB1107 will allow companies to have a common paymaster to pay employees of two or more related businesses, and be exempt from general excise tax, on behalf of the related businesses, where the applicable relationship is defined under Section 267(b) of the IRC Code

I urge your approving Senate Bill SB1107

Aloha,

A Martyak m.15

2/7/11

ANTHONY P. MARTYAK

Donald Lau
535 Paikau Street
Honolulu, HI 96816

February 8, 2011

VIA WEB

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Ways and Means Committee
Members of the Senate Ways and Means Committee

RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX

HEARING DATE: February 10, 2011 at 9:00 a.m. in Conference Room 211

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

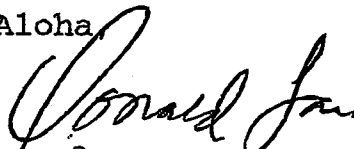
I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. With the high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling payroll, it is not uncommon for a company with multiple different but related entities to put its employees under one common paymaster.

The current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Through the adoption of section 267 of the IRC Code into the HRS section 237-23 as it relates to general excise tax law, related parties will not have to pay general excise tax between related parties as it relates to reimbursable expenses. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The passage of SB1107 will allow companies to have a common paymaster to pay employees of two or more related businesses, and be exempt from general excise tax, on behalf of the related businesses, where the applicable relationship is defined under Section 267(b) of the IRC Code

I urge your approving Senate Bill SB1107

Aloha


DONALD LAU 2/7/2011

February 7, 2011

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Members of the Senate Committee on Ways and Means

RE: **SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011, AT
9:00 A.M., ROOM 211**

Dear Honorable Senator David Ige,
Chair and Members of the Senate
Committee on Ways and Means:

I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. As the owner of numerous related business entities I currently have my employees paid under one common employer. The cost of administering and handling payroll is done through a single common paymaster. The high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling multiple payroll requires me to operate more efficiently.

Those the common paymaster business entity should not be required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred.

Please approve Senate Bill SB1107. Thank you for your time.

Very truly yours,

Charles K.H. Au

February 7, 2011

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Members of the Senate Committee on Ways and Means

RE: **SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011, AT
9:00 A.M., ROOM 211**

Dear Honorable Senator David Ige,
Chair and Members of the Senate
Committee on Ways and Means:

I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. As the owner of numerous related business entities I currently have my employees paid under one common employer. The cost of administering and handling payroll is done through a single common paymaster. The high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling multiple payroll requires me to operate more efficiently.

Those the common paymaster business entity should not be required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred.

Please approve Senate Bill SB1107. Thank you for your time.

Very truly yours,

Thomas G. Cabrinha

Darryl P. Wong

1836 Punahou Street, Honolulu, Hawaii 96822 (808) 943-3106

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Members of the Senate Committee on Ways and Means

**RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR TUESDAY, FEBRUARY 10, 2011, AT
9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Dear Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Members of the Senate Committee on Ways and Means:

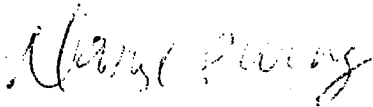
I am in **support** of Senate Bill SB1107 to expand the general excise tax exemption for a common paymaster. In the case of a common pay master such as Altres Staffing, they provide services for unrelated entities and charge them a fee for handling the payroll for those unrelated companies. They pay general excise tax only on the fee they charge to the unrelated entities.

In the case of a related entity, under the statute, it states services between related parties are exempt. What we are proposing is a clarification in the interpretation of the Hawaii tax law in place and believe the amendment proposed by SB1107 more specifically under the definition of "Services" to include legal and accounting services, **maintenance services, reimbursable repairs and maintenance expenses paid on behalf of affiliates...** be added to section 237-23.5.

By allowing this change, we can be assured *related common paymaster* companies are not penalized with additional general excise taxes when they are reimbursed from their affiliate companies.

Please approve Senate Bill SB1107

Sincerely,



Darryl P. Wong

James K. Tam

50 Akilolo Street, Honolulu, Hawaii 96821 (808) 943-3106

February 7, 2011

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

**RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Dear Honorable Senator David Ige, Chair and
Members of the Senate Committee on Ways and Means:

Since our current tax laws are unclear on how to treat related companies and transactions that take place between related companies, I write this is to express my **support** passage of Senate Bill SB1107 which is to expand the general excise tax exemption for a common paymaster.

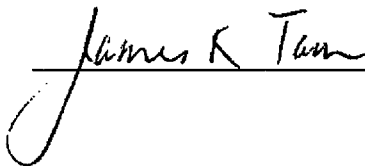
The bill if passed would clarify that a common paymaster business entity is not required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

I urge your approval of this bill.

Sincerely,

Signature

Print Name: James K. Tam



Address: 50 Akilolo Street, Honolulu, HI 96821

February 7, 2011

Senate Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle Kidani, Vice Chair
Members of the Senate Committee on Ways and Means

**Re: Testimony in Support of Senate Bill SB 1107 – Relating to General Excise Tax
Hearing: February 10, 2011, at 9:00 am, Room 211**

Aloha Chair Ige, Vice-Chair Kidani, and Members of the Senate Committee on Ways and Means:

My name is Michael Steiner and I am the owner of Steiner & Associates, a business and management consulting firm.

I write in **support** of Senate Bill SB 1107, which will expand the general excise tax exemption for a common paymaster. Our current tax laws are unclear on how to treat related companies and transactions that take place between related companies. State enforcement of current statutes has unpredictable and passage of SB 1107 will eliminate the inconsistent treatment of related party transactions.

This bill will allow an exemption for a common paymaster and eliminate the need to report reimbursable expenses for the purposes of general excise tax reporting since the related business entities already pay the associated taxes.

Please pass SB 1107.

Sincerely,

Michael Steiner

Michael Steiner, CLM
Steiner & Associates
702 Kanaha Street
Kailua, HI 96734

February 7, 2011

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

**RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

PETITION:

I wish to **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. The bill will help to stabilize our economy. Our current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The bill if passed would allow a common paymaster business entity to not be required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred.

I urge your approval of this bill.

Sincerely,

Signature



Print Name: Micky Torres

Address: PO Box 25843 Honolulu 96825

ALLEN MARUTANI

1722 Kumakani Loop, Honolulu, Hawaii 96821
Phone: (808) 225-8619

February 8, 2011

VIA WEB

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Ways and Means Committee
Members of the Senate Ways and Means Committee

RE: **SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX**

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:


I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. With the high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling payroll, it is not uncommon for a company with multiple different but related entities to put its employees under one common paymaster.

The current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Through the adoption of section 267 of the IRC Code into the HRS section 237-23 as it relates to general excise tax law, related parties will not have to pay general excise tax between related parties as it relates to reimbursable expenses. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The passage of SB1107 will allow companies to have a common paymaster to pay employees of two or more related businesses, and be exempt from general excise tax, on behalf of the related businesses, where the applicable relationship is defined under Section 267(b) of the IRC Code

I urge your approving Senate Bill SB1107

Aloha,


225-8619

February 8, 2011

VIA FACSIMILE
586-6659

Honorable Senator David Y. Ige, Chair Attn: Senate Sergeant At-Arms
Honorable Senator Michelle Kidani, Vice Chair
Senate Ways and Means Committee
Members of the Senate Ways and Means Committee

RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011, AT
9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211

Dear Honorable Senator David Ige, Chair and Members of the
Senate Committee on Ways and Means:

I support passage of Senate Bill SB1107 which is a bill to
expand the general excise tax exemption for a common paymaster.
With the high cost of doing business in Hawaii, the high cost of
insurance and the cost of administering and handling payroll, it
is not uncommon for a company with multiple different but
related entities to put its employees under one common
paymaster.

The current tax laws are unclear on how to treat related
companies and transactions that take place between related
companies. Through the adoption of section 267 of the IRC Code
into the HRS section 237-23 as it relates to general excise tax
law, related parties will not have to pay general excise tax
between related parties as it relates to reimbursable expenses.
Under the current law the State has sometimes taken the position
to tax some related party transaction and this reformation will
eliminate the inconsistent treatment of related party
transactions.

The passage of SB1107 will allow companies to have a common
paymaster to pay employees of two or more related businesses,
and be exempt from general excise tax, on behalf of the related
businesses, where the applicable relationship is defined under
Section 267(b) of the IRC Code

I urge your approving Senate Bill SB1107

Aloha,

Patricia Lau 2/7/11

PATRICIA LAU
535 PAIKAO ST., HONOLULU, HI 96816

February 7, 2011

VIA FACSIMILE
586-6659

Honorable Senator David Y. Ige, Chair Attn: Senate Sergeant-At-Arms
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

PETITION:

I wish to support passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. The bill will help to stabilize our economy. Our current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The bill if passed would allow a common paymaster business entity to not be required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred.

I urge your approval of this bill.

Sincerely,

Signature

Alan Sneyta

Print Name:

Alan Sneyta

Address:

1044 12th Ave. Hm 96816

February 7, 2011

VIA FACSIMILE
586-6659

Honorable Senator David Y. Ige, Chair Attn: Senate Sergeant-At-Arms
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

**RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

PETITION:

I wish to **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. The bill will help to stabilize our economy. Our current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The bill if passed would allow a common paymaster business entity to not be required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred.

I urge your approval of this bill.

Sincerely,

Signature

Rosalind Moore

Print Name:

ROSALIND MOORE

Address:

3358 ALOHEA AVE

February 7, 2011

VIA FACSIMILE
586-6659

Honorable Senator David Y. Ige, Chair Attn: Senate Sergeant-At-Arms
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

**RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

PETITION:

I wish to **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. The bill will help to stabilize our economy. Our current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The bill if passed would allow a common paymaster business entity to not be required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred.

I urge your approval of this bill.

Sincerely,

Signature

Print Name: **Loni Lee**

Loni Lee

Address: **906 6th Avenue, Honolulu, HI 96816**

February 8, 2011

VIA FACSIMILE
586-6659

Honorable Senator David Y. Ige, Chair Attn: Senate Sergeant-At-Arms
Honorable Senator Michelle Kidani, Vice Chair
Senate Ways and Means Committee
Members of the Senate Ways and Means Committee

RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

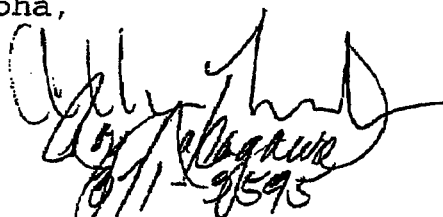
I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. With the high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling payroll, it is not uncommon for a company with multiple different but related entities to put its employees under one common paymaster.

The current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Through the adoption of section 267 of the IRC Code into the HRS section 237-23 as it relates to general excise tax law, related parties will not have to pay general excise tax between related parties as it relates to reimbursable expenses. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The passage of SB1107 will allow companies to have a common paymaster to pay employees of two or more related businesses, and be exempt from general excise tax, on behalf of the related businesses, where the applicable relationship is defined under Section 267(b) of the IRC Code

I urge your approving Senate Bill SB1107

Aloha,



Allan Lock

5301 Malu Place
Honolulu, HI 96816

Roy Nakagawa

3737 Manoa Road
Honolulu, HI 96822
371-3595

February 7, 2011

VIA FACSIMILE
586-6659

Honorable Senator David Y. Ige, Chair Attn: Senate Sergeant-At-Arms
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

RE: **SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

PETITION:

I wish to **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. The bill will help to stabilize our economy. Our current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The bill if passed would allow a common paymaster business entity to not be required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred.

I urge your approval of this bill.

Sincerely,

Signature

June A. Akina

Print Name: June A. AKINA

Address: 98-379 PONO ST. Aiea, HI 96701

February 8, 2011

VIA FACSIMILE
586-6659

Honorable Senator David Y. Ige, Chair Attn: Senate Sergeant-At-Arms
Honorable Senator Michelle Kidani, Vice Chair
Senate Ways and Means Committee
Members of the Senate Ways and Means Committee

RE: **SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX**

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. With the high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling payroll, it is not uncommon for a company with multiple different but related entities to put its employees under one common paymaster.

The current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Through the adoption of section 267 of the IRC Code into the HRS section 237-23 as it relates to general excise tax law, related parties will not have to pay general excise tax between related parties as it relates to reimbursable expenses. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The passage of SB1107 will allow companies to have a common paymaster to pay employees of two or more related businesses, and be exempt from general excise tax, on behalf of the related businesses, where the applicable relationship is defined under Section 267(b) of the IRC Code

I urge your approving Senate Bill SB1107

Aloha,

David Reel
DAVID REEL
1729 N. Naluhi Pl.
Honolulu, HI 96821

February 8, 2011

VIA FACSIMILE
586-6659

Honorable Senator David Y. Ige, Chair Attn: Senate Sergeant-At-Arms
Honorable Senator Michelle Kidani, Vice Chair
Senate Ways and Means Committee
Members of the Senate Ways and Means Committee

RE: **SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX**

Dear Honorable Senator David Ige, Chair and Members of the
Senate Committee on Ways and Means:

I **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. With the high cost of doing business in Hawaii, the high cost of insurance and the cost of administering and handling payroll, it is not uncommon for a company with multiple different but related entities to put its employees under one common paymaster.

The current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Through the adoption of section 267 of the IRC Code into the HRS section 237-23 as it relates to general excise tax law, related parties will not have to pay general excise tax between related parties as it relates to reimbursable expenses. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The passage of SB1107 will allow companies to have a common paymaster to pay employees of two or more related businesses, and be exempt from general excise tax, on behalf of the related businesses, where the applicable relationship is defined under Section 267(b) of the IRC Code

I urge your approving Senate Bill SB1107

Aloha, *Angela Rhee* **MICRONON RHEE**

1729 Nalulu Pl.

Hon. Hc' 96821

February 7, 2011

VIA FACSIMILE
586-6659

Honorable Senator David Y. Ige, Chair Attn: Senate Sergeant-At-Arms
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

**RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

PETITION:

I wish to support passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. The bill will help to stabilize our economy. Our current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The bill if passed would allow a common paymaster business entity to not be required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred.

I urge your approval of this bill.

Sincerely,

Signature

Colleen Howard

Print Name:

Colleen Howard

Address:

*439 Opihikao Pl.
Honolulu, HI 96825*

Petition

**VIA FACSIMILE
586-6659**

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

Attn: Senate Sergeant-At-Arms

**RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011, AT
9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Dear Honorable David Ige, Chair, Michelle Kidani, Vice Chair, and Members of the Senate Committee on Ways and Means:

I am in **support** of Senate Bill SB1107 to expand the general excise tax exemption for a common paymaster. In the case of a common pay master such as Altres Staffing, they provide services for unrelated entities and charge them a fee for handling the payroll for those unrelated companies. They pay general excise tax only on the fee they charge to the unrelated entities and not on the payroll they handle for the unrelated company.

In the case of a related entity, under the statue, it states **services** between related parties are exempt from general excise tax. What I am proposing is a clarification in the interpretation of the Hawaii tax law in place and believe the amendment proposed by HB848 more specifically under the definition of "Services" to include legal and accounting services, **maintenance services, reimbursable repairs and maintenance expenses paid on behalf of affiliates...** be added to section 237-23.5.

By allowing this change, I can be assured *related common paymaster* companies are not penalized with additional general excise taxes when they are reimbursed from their affiliate companies.

Please approve Senate Bill SB1107.

Sincerely,
Print Name

Signature

Address

Myron Nakata



2033 Kilakila Drive

February 7, 2011

Honorable Senator David Y. Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Senate Committee on Ways and Means
Members of the Senate Committee on Ways and Means

**RE: SENATE BILL SB1107 - RELATING TO THE GENERAL EXCISE TAX
HEARING SCHEDULED FOR THURSDAY, FEBRUARY 10, 2011
AT 9:00 A.M., HAWAII STATE CAPITOL, CONFERENCE ROOM 211**

Dear Honorable Senator David Ige, Chair and Members of the Senate Committee on Ways and Means:

PETITION:

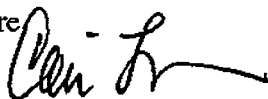
I wish to **support** passage of Senate Bill SB1107 which is a bill to expand the general excise tax exemption for a common paymaster. The bill will help to stabilize our economy. Our current tax laws are unclear on how to treat related companies and transactions that take place between related companies. Under the current law the State has sometimes taken the position to tax some related party transaction and this reformation will eliminate the inconsistent treatment of related party transactions.

The bill if passed would allow a common paymaster business entity to not be required to report the reimbursable expenses for the purposes of general excise tax reporting since the related business entities are already paying the taxes associated with the payroll costs incurred.

I urge your approval of this bill.

Sincerely,

Signature



Print Name:

Colin Lau

Address:

47-695 Hui Ulili St.
Kaneohe, HI 96744