

Honolulu, Hawaii

March 2, 2012

RE: H.B. No. 1694

H.D. 2

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1694, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure, as received by your Committee, is to require the collection of use taxes by sellers of tangible personal property who enter into agreements under which a person in the State refers potential purchasers to the seller, including by an internet link or web site, or performs related services in the State on behalf of the seller.

Prior to a public hearing on this bill, your Committee circulated Proposed H.B. No. 1694 H.D. 2 (Proposed Draft) and notified the public that it would be accepting testimony on the Proposed Draft, which:

- (1) Requires the collection of use taxes by sellers of tangible personal property who enter into agreements under which a person in the State refers potential purchasers to the seller, including by an internet link or web site, or performs related services in the State on behalf of the seller;
- (2) Exempts certain sellers engaged in business in the State from the collection of use taxes if they can meet specific requirements; and



- (3) Revises the definition of "engaged in business in the State" by adding specific language relating to sellers.

Your Committee received testimony from the following organizations and individuals on H.B. No. 1694, H.D. 1, as introduced, and on the Proposed Draft.

Walgreens, Retail Merchants of Hawaii, and The Chamber of Commerce of Hawaii supported the measure, as received by your Committee.

The Department of Taxation, Hawaii Association of Realtors, and the Tax Foundation of Hawaii offered comments on the Proposed Draft.

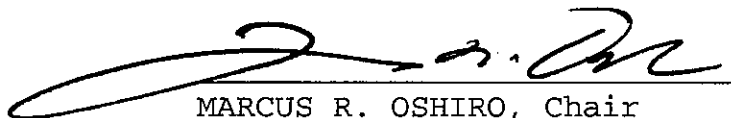
The Department of Taxation suggested that your Committee consider adopting an economic nexus approach.

Your Committee considered the merits of both H.B. No. 1694, H.D.1, as received by your Committee, and the Proposed Draft, and upon careful consideration, adopted the Proposed Draft with the following amendments:

- (1) Changing its effective date to July 1, 2012; and
- (2) 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. 1694, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1694, H.D. 2.

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

HSCR 920-12

**Record of Votes of the Committee on Finance**

Bill/Resolution No.: <b>HB 1694, HDI</b>	Committee Referral: <b>ERB, FIN</b>	Date: <b>3/1/12</b>		
<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. CHOY, Isaac W.	✓			
4. CULLEN, Ty	✓			
5. GIUGNI, Heather	✓			
6. HAR, Sharon E.	✓			
7. HASHEM, Mark J.	✓			
8. ICHIYAMA, Linda	✓			
9. JORDAN, Jo	✓			
10. KAWAKAMI, Derek S.K.	✓			
11. LEE, Chris	✓			
12. MORIKAWA, Dee	✓			
13. TOKIOKA, James Kunane	✓			
14. YAMASHITA, Kyle T.	✓			
15. MARUMOTO, Barbara C.		✓		
16. RIVIERE, Gil		✓		
17. WARD, Gene			✓	
<b>TOTAL (17)</b>	<b>14</b>	<b>2</b>	<b>1</b>	<b>0</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 10pt;">committee acronym(s)</div>				
Vice Chair's or designee's signature: _____ <div style="text-align: center; font-size: 24pt; font-family: cursive;">Marilyn B. Lee</div>				
<b>Distribution:</b> Original (White) – Committee            Duplicate (Yellow) – Chief Clerk's Office            Duplicate (Pink) – HMSO				