

Honolulu, Hawaii

APR 05 2012

RE: H.B. No. 1705
H.D. 1
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 1705, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to exempt from the state income and general excise taxes, privately-owned nonprofit public water systems that are federally tax-exempt under section 501(c)(12) of the Internal Revenue Code and supply potable water to communities that lack any access to public utility water services.

Your Committee received testimony in support of this measure from one individual.

Your Committee received comments on this measure from the Department of Taxation.

Your Committee finds that residents in certain rural areas in the State do not have access to public utility water services. Your Committee also finds that in some of these unserved areas, private nonprofit companies, such as Napu'u Water, Inc., have been established for the sole purpose of supplying potable water to the community. Although these companies are federally tax-exempt under section 501(c)(12) of the Internal Revenue Code, they are still subject to the state income and general excise taxes. Your Committee further finds that, in the interests of fairness and



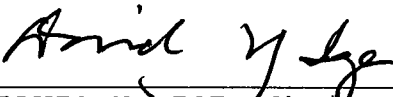
equity, nonprofit companies that are operated exclusively to supply potable water to residential communities that lack any access to public utility water services should receive the same tax treatment as water companies owned by a county or municipality.

Your Committee has amended this measure by:

- (1) Clarifying that the exemption shall apply to privately-owned nonprofit public water systems that supply potable water to residential communities; and
- (2) Making technical nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1705, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1705, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* #B1705 HD1	Committee Referral: WAM	Date: 3-22-12		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	/			
KIDANI, Michelle N. (VC)	/			
CHUN OAKLAND, Suzanne	/			
DELA CRUZ, Donovan M.	/			
ENGLISH, J. Kalani	/			
ESPERO, Will	/			
FUKUNAGA, Carol	/			
KIM, Donna Mercado	/			
KAHELE, Gilbert	/			
KOUCHI, Ronald D.	/			
RYAN, Pohai	/			
TOKUDA, Jill N.	/			
WAKAI, Glenn	/			
SLOM, Sam	/			
TOTAL	14	0	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes