

Honolulu, Hawaii

MAR 31 2011

RE: H.B. No. 848
H.D. 2
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 848, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to exempt from the general excise tax the amounts received by a common paymaster to pay employee remunerations for persons related to the common paymaster.

Your Committee received testimony in support of this measure from The Chamber of Commerce Hawaii. Your Committee received testimony in opposition to this measure from Frederick D. Pablo, Director, Department of Taxation. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that expanding the common paymaster exemption may have unintended consequences for companies that meet the eighty per cent ownership and voting power tests insofar as the application of Internal Revenue Code Sections 1504 (with regard to an affiliated group of corporations) and 1563 (with regard to a controlled group of corporations) is concerned.

Your Committee has amended this measure by:

- (1) Replacing its contents with the portion of S.B. No. 1107, S.D. 1, 2011, that relates to the exemption from



the general excise tax for amounts received by a related or indirectly related management entity that manages the business of the affiliates;

- (2) Deleting an unnecessary cross reference with regard to that exemption; and
- (3) Changing the effective date to July 1, 2050, to facilitate continued discussion on the measure.

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. 848, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 848, H.D. 2, 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.:*	Committee Referral:	Date:		
HB 848, HDZ	WAM	3-23-11		
<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	11	0	0	3
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes