

STAND. COM. REP. NO. 1196

Honolulu, Hawaii

March 24, 2011

RE: S.B. No. 1107
S.D. 1
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Economic Revitalization & Business, to which was referred S.B. No. 1107, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this bill is to exempt from the general excise tax (GET) amounts received by:

- (1) A common paymaster that are disbursed as remuneration to employees of two or more related persons where the common paymaster is making the remunerations on behalf of the related persons; and
- (2) A related or indirectly related management entity managing the business of the affiliates.

The Chamber of Commerce of Hawaii supported this bill. The Department of Taxation (DOTAX) opposed this bill. Tax Foundation of Hawaii and a concerned individual submitted comments.

Upon further consideration, your Committee has amended this measure by:

SB1107 HD1 HSCR ERB HMS 2011-3260

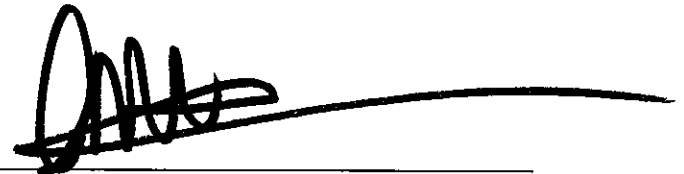


- (1) In lieu of a related or indirectly related management entity managing the business of the affiliates, applying the GET exemption to amounts received by a related entity;
- (2) Deleting the GET exemption for amounts received by a common paymaster that are disbursed as remuneration to employees of two or more related persons where the common paymaster is making the remunerations on behalf of the related persons;
- (3) Inserting the substance of House Bill No. 801, H.D. 2, Regular Session of 2011, which:
 - (A) Specifies that the Director may subpoena witnesses, examine them under oath, and require the production of books, papers, documents, or other records, including electronic records, that are material or relevant to a criminal investigation conducted by the Director;
 - (B) Establishes parameters for the use of subpoena powers in criminal investigations conducted by the Director;
 - (C) Requires DOTAX to reimburse a financial institution that is served a subpoena for costs incurred as a result of the subpoena; and
 - (D) Stipulates that compliance with a subpoena issued by DOTAX shall not give rise to a civil action for damages against an individual who has complied with the subpoena;
- (4) Changing its effective date to July 1, 2112, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for style, clarity, and consistency.



As affirmed by the record of votes of the members of your Committee on Economic Revitalization & Business that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1107, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1107, S.D. 1, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Revitalization & Business,



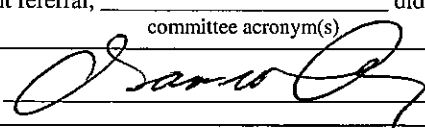
ANGUS L.K. MCKELVEY, Chair



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

HSCR 1196

Record of Votes of the Committee on Economic Revitalization & Business

Bill/Resolution No.: SB 1107 SDI ^{SSD} 50	Committee Referral: ERB, FIN	Date: 3/22/11		
<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)				
ERB Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	/			
2. CHOY, Isaac W. (VC)	/			
3. AWANA, Karen L.	/			
4. BROWER, Tom				✓
5. EVANS, Cindy	/			
6. HASHEM, Mark J.	/			
7. NISHIMOTO, Scott Y.	/			
8. TOKIOKA, James Kunane	/			
9. TSUJI, Clift	/			
10. MARUMOTO, Barbara C.	/			
11. PINE, Kymerly Marcos	/			
TOTAL (11)	10	0	0	1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				