STAND. COM. REP. NO. **(911**)

Honolulu, Hawaii February 19, 2013

RE: H.B. No. 964 H.D. 1

Honorable Joseph M. Souki Speaker, House of Representatives Twenty-Seventh State Legislature Regular Session of 2013 State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 964, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX EXEMPTION FOR CERTAIN SCIENTIFIC CONTRACTS WITH THE UNITED STATES,"

begs leave to report as follows:

The purpose of this measure is to amend the general excise tax law relating to scientific contracts with the United States to conform to the Internal Revenue Code.

The Department of Taxation testified in support of this measure. Pukoa Scientific testified in opposition to this measure. The Tax Foundation of Hawaii submitted comments on the measure.

Your Committee finds that the general excise tax exemption for scientific contracts with the United States was intended to allow local contractors to compete with out-of-state entities for scientific contracts with federal facilities. However, the exemption has created such an administrative burden for the Department of Taxation that ten per cent of the Department's audit staff is being used to evaluate claims for the exemption. Your Committee further finds that amending the exemption to follow parameters established by section 41 of the Internal Revenue Code would allow the Department to more efficiently administer the exemption.

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. 964, H.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVYA LUKE, Chair

State of Hawaii House of Representatives The Twenty-seventh Legislature



Record of Votes of the Committee on Finance

Bill/Resolution No.:	Committee Referral:	Dat		
HB 964 HD1	EDB, FI	<u> </u>	2/14/13	
☐ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold				
Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)				
2. NISHIMOTO, Scott Y. (VC)				
3. JOHANSON, Aaron Ling (VC)				
4. CULLEN, Ty J.K.				
5. HASHEM, Mark J.		~		
6. ING, Kaniela		•		
7. JORDAN, Jo				
8. KOBAYASHI, Bertrand				
9. LOWEN, Nicole E.				
10. MORIKAWA, Dee				
11. ONISHI, Richard H.K.				
12. TAKAYAMA, Gregg				
13. TOKIOKA, James Kunane				
14. WOODSON, Justin H.	_			
15. YAMASHITA, Kyle T.				
16. FUKUMOTO, Beth				
17. WARD, Gene				
		12400		
				-
TOTAL (17)	15			7
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				