

STAND. COM. REP. NO. **557**

Honolulu, Hawaii

FEB 28 2013

RE: S.B. No. 1190
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 1190 entitled:

"A BILL FOR AN ACT RELATING TO THE IMPOSITION OF USE TAX ON IMPORTED CONTRACTING,"

begs leave to report as follows:

The purpose and intent of this measure is to treat imported contracting consistently under the use tax and general excise tax laws.

Your Committee received testimony in support of this measure from the Department of Taxation.

Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that the use tax is designed to complement the general excise tax, and generally, items should be taxed similarly under both tax laws. However, confusion exists regarding the tax treatment of imported contracting. This measure would clarify that imported contracting is subject to a general excise tax at the rate of four per cent, unless exempt from the tax because the gross proceeds received by the contractor are subject to the general excise tax as a contractor.

Your Committee has amended this measure by:

SB1190 SD1 SSCR LRB 13-1274.doc



- (1) Moving language limiting the exemption under section 238-2.3(1)(C), Hawaii Revised Statutes, to amounts the contractor could have deducted for payments to subcontractors from the effective date section of the measure to Section 2 of the measure; 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 S.B. No. 1190, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1190, 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-Seventh Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 1190	Committee Referral: WAM	Date: 2-12-13		
<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	✓			
KAHELE, Gilbert				✓
KEITH-AGARAN, Gilbert S.C.	✓			
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
TOKUDA, Jill N.				✓
SLOM, Sam		✓		
TOTAL	10	1	0	2
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