

STAND. COM. REP. NO.

1467

Honolulu, Hawaii

April 5, 2013

RE: S.B. No. 1289  
S.D. 2  
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 S.B. No. 1289, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to require payors of non-wage payments for construction services to report the payments to the Department of Taxation. Specifically, this measure:

- (1) Creates procedures, requirements, and deadlines for the submitting of payment reports; and
- (2) Sets penalties for taxpayer failure to report.

The Laborers' International Union of North America Local 368, Masons Union Local 1 & 630, and Operating Engineers Local Union #3 testified in support of this measure. The Construction Financial Management Association, Hawai'i Association of REALTORS, and Subcontractors Association of Hawaii testified in opposition to this measure. The Department of Taxation, Tax Foundation of Hawaii, Building Industry Association of Hawaii, Hawai'i Construction Alliance, Hawaii Regional Council of Carpenters, General Contractors Association, and an individual provided comments on this measure.

SB1289 HD1 HSCR FIN HMS 2013-3257-1



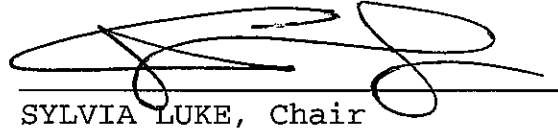
Your Committee has amended this measure by:

- (1) Requiring annual reports submitted by a payor to the Department of Taxation to include the general excise taxpayer identification numbers, federal taxpayer identification numbers, or social security numbers as specified;
- (2) Requiring the annual payment report to be transmitted by the payor to the Department of Taxation on or before the twentieth day of the fourth month, rather than the last day of the third month, following the close of the payor's taxable year in which payments were made;
- (3) Deleting the requirement that the payor also transmit the report to the Director of Labor and Industrial Relations;
- (4) Authorizing the Director of Taxation to adopt rules and prepare forms as may be necessary to effectuate the annual reporting requirements established by this measure;
- (5) Authorizing the Director of Taxation to enter into agreements with state and federal law enforcement to share the required annual reports under certain circumstances;
- (6) Amending amounts of penalties for noncompliance;
- (7) Changing its effective date to July 1, 2030, to encourage further discussion; and
- (8) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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 S.B. No. 1289, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1289, S.D. 2, H.D. 1, and be placed on the calendar for Third Reading.



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



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SYLVIA LUKE, Chair



