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Honolulu, Hawaii

April 4, 2013

RE: S.B. No. 1360
S.D. 1
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. 1360, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to make permanent the general excise tax exemption for certain common expenses for condominiums, hotels, and timeshares.

Specifically, this measure permanently:

- (1) Exempts from the general excise tax amounts received by submanagers of association of apartment owners of a condominium property regime or nonprofit homeowners or community associations;
- (2) Exempts from the general excise tax amounts received by operators and suboperators of a timeshare or hotel for employee expenses and insurance premiums; and
- (3) Removes the \$400,000 general excise tax exemption cap on timeshare or hotel payments for employee expenses and insurance premiums.

Your Committee received testimony in support to this measure from the Hawaii Association of Realtors, Hawaiiana Management Co.



Ltd, Hawaii Community Associations Institute, American Resort Development Association, Wyndham Vacation Ownership, Outrigger Enterprises Group, and Starwood Vacation Ownership. Your Committee received comments on this measure from the Department of Taxation, the Hawaii Lodging and Tourism Association, and the Tax Foundation of Hawaii.

Your Committee finds that exempting payments for employee expenses, insurance premiums, and other costs from the general excise tax will apply a consistent level of taxation for timeshares and hotels, whether managed locally or by offshore management companies. Similarly, your Committee believes that a general excise exemption for condominium expenses paid by submanagers provides for uniform treatment of amounts received relating to common area expenses paid for a condominium, whether received by a manager, submanager, or board of directors.

Your Committee has amended this measure by replacing its contents with the contents of H.B. No. 334, H.D. 1, which makes the general excise tax exemption permanent for the same entities, but does not remove the \$400,000 general excise tax exemption cap.

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. 1360, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1360, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.

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



SYLVIA LUKE, Chair



