

Honolulu, Hawaii

MAR 0 1 2013

RE: S.B. No. 1360
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. 1360 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to make permanent the general excise tax exemptions for certain real property management transactions.

Specifically, the measure makes the following permanently exempt from the imposition of the general excise tax:

- (1) Funds received by submanagers of associations of apartment owners of condominiums or nonprofit homeowners or community associations for reimbursement of common expenses;
- (2) Funds received by a hotel operator from a time share association to pay employee expenses; and
- (3) Funds received by a hotel suboperator from the owner or operator of a hotel or time share association, to pay employee expenses.

Your Committee received written comments in support of this measure from the Hawaii Association of Realtors and Wyndham Vacation Ownership. Your Committee received written comments on



this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that Act 239, Session Laws of Hawaii 2007, added amounts derived from certain real property management transactions to amounts already exempt from the general excise tax under section 237-24.3, Hawaii Revised Statutes. Thereafter, Act 196, Session Laws of Hawaii 2009, set an aggregate cap of \$400,000 for taxpayers eligible for the exemptions established by Act 239, Session Laws of Hawaii 2007.

Your Committee understands that administering the aggregate cap has been challenging for both the Department of Taxation and taxpayers applying for the exemption because the Department must manually process eligible taxpayer returns to ensure that the aggregate cap is not exceeded. Your Committee further finds that the aggregate cap has also had the inadvertent effect of treating similarly situated taxpayers inconsistently, because only those taxpayers claiming an exemption pursuant to Act 239, Session Laws of Hawaii 2007, are subject to the aggregate cap, even though all amounts covered by section 237-24.3, Hawaii Revised Statutes, are exempt from taxation.

Accordingly, your Committee has amended this measure by:

- (1) Eliminating the \$400,000 aggregate cap on the exemption;
- (2) Providing that the repeal of the aggregate cap shall apply to taxable years beginning after December 31, 2012; and
- (3) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure.

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. 1360, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1360, S.D. 1.



Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

David Y. Ige

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.:* SB1300	Committee Referral: THA/CPN, WAM	Date: 2-27-13		
<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	12	0	0	1
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