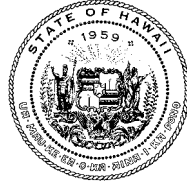


NEIL ABERCROMBIE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



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DIRECTOR OF TAXATION

JOSHUA WISCH  
DEPUTY DIRECTOR

To: The Honorable Rida T.R. Cabanilla, Chair  
and Members of the House Committee on Housing

Date: Monday, February 4, 2013  
Time: 8:45 A.M.  
Place: Conference Room 329, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: H.B. 1117, Relating to the General Excise Tax

The Department of Taxation (Department) appreciates the intent of H.B. 1176, and offers the following information and comments for your consideration. The Department defers to the Hawaii Housing Finance and Development Corporation on the merits of repealing this exemption, and to the Department of Budget and Finance on the merits of remitting the funds to the rental housing trust fund.

H.B. 1117 proposes to repeal the general excise tax (GET) exemption under section 237-29 for persons or firms involved with construction projects developed under government assistance programs where those projects are developed on federal land. The revenue from such projects would be remitted to the rental housing trust fund.

Currently, the Department is unable to segregate or separately identify the amount of revenue exempt from projects developed on federal land. The inability to separately report this information is due in part to several factors, including the fact that taxpayers do not currently report gross revenues based on the types of projects or activities they engage in; segregation of gross revenues would be required in order to determine the amount to be allocated to the rental housing trust fund.

Furthermore, changes requiring the separate reporting of gross revenues will require substantial computer system changes to the GET tax return form and instructions. Due to technological limitations with our current computer system and the lack of sufficient staffing to implement these types of changes, the Department would need a minimum of twelve months to implement. Therefore, the Department recommends that the effective date of this measure be changed to "taxable years beginning after December 31, 2013".

Thank you for the opportunity to provide comments.