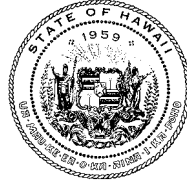


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Angus L.K. McKelvey, Chair
and Members of the House Committee on Consumer Protection & Commerce

Date: Wednesday, March 27, 2013
Time: 4:00 p.m.
Place: Conference Room 325, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.C.R. No. 87/H.R. No. 69 Requesting the Department of Taxation and the Department of Commerce and Consumer Affairs to Convene a Working Group to Determine an Effective and Efficient Procedure to Ensure that Out-of-State Design Professionals Practicing in Hawaii are Paying Appropriate State Taxes.

The Department of Taxation (Department) **appreciates the intent** of H.C.R 87/H.R. 69, and is willing and able to chair and participate in the working group requested by this resolution.

The Department notes that where services are provided by an out-of-state individual or entity that does not have nexus for General Excise Tax (GET) purposes, and those services are used/consumed in Hawaii, the consumer or purchaser that is using those services is subject to Use Tax. In this situation it is the responsibility and legal obligation of the consumer or purchaser to file the Use Tax return and to remit the Use Tax owed.

If the same out-of-state service provider does have nexus, then that service provider is subject to GET, like any other business in Hawaii; the service provider must comply with the filing and payment requirements relating to the general excise tax, as set forth in Chapter 237, Hawaii Revised Statutes.

Thank you for the opportunity to provide comments.