

STAND. COM. REP. NO.

485

Honolulu, Hawaii  
February 15, 2013

RE: H.B. No. 329

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 329 entitled:

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

begs leave to report as follows:

The purpose of this measure is to narrow the scope of gross proceeds to which the general excise tax exemption for certain scientific contracts with the United States applies.

The Department of Taxation testified in support of this measure. A private individual testified in opposition to this measure. The Tax Foundation of Hawaii submitted comments on the measure.

Your Committee finds that the general excise tax exemption for scientific contracts with the United States was intended to allow local contractors to compete with out-of-state entities for scientific contracts with federal facilities. However, the exemption has created such an administrative burden for the Department of Taxation that ten per cent of the Department's audit staff is being used to evaluate claims for the exemption. Your Committee further finds that amending the exemption to follow parameters established by section 41 of the Internal Revenue Code would allow the Department to more efficiently administer the exemption.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to

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this report, your Committee is in accord with the intent and purpose of H.B. No. 329 and recommends that it be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Consumer  
Protection & Commerce,



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ANGUS L.K. MCKELVEY, Chair



