

STAND. COM. REP. NO. 022

Honolulu, Hawaii

February 19, 2013

RE: H.B. No. 964  
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 H.B. No. 964, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX EXEMPTION FOR CERTAIN SCIENTIFIC CONTRACTS WITH THE UNITED STATES,"

begs leave to report as follows:

The purpose of this measure is to amend the general excise tax law relating to scientific contracts with the United States to conform to the Internal Revenue Code.

The Department of Taxation testified in support of this measure. Pukoa Scientific testified in opposition to this measure. The Tax Foundation of Hawaii submitted comments on the measure.

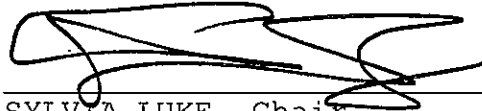
Your Committee finds that the general excise tax exemption for scientific contracts with the United States was intended to allow local contractors to compete with out-of-state entities for scientific contracts with federal facilities. However, the exemption has created such an administrative burden for 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.

HB964 HD1 HSCR LRB 13-1334.doc



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 H.B. No. 964, H.D. 1, and recommends that it pass Third Reading.

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



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SYLVIA LUKE, Chair



