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To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Thursday, March 27, 2014
Time: 2:00 p.m.
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 2896, S.D. 1, Relating to General Excise Tax Wholesale Rate
Imposed Upon Sale of Tangible Personal Property

The Department of Taxation (Department) strongly **supports** S.B. 2896, S.D. 1, an Administration measure, and provides the following information and comments for your consideration.

S.B. 2896, S.D. 1, clarifies that the General Excise Tax (GET) imposed upon the wholesale sale of tangible personal property is generally one-half of one percent of the gross proceeds of the sale. The wholesale rate was inadvertently deleted by Act 135, Session Laws of Hawaii 2003. This measure is necessary and will provide certainty to the public and to the Department regarding administration of the GET.

Thank you for the opportunity to provide testimony.

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SUBJECT: GENERAL EXCISE, Wholesale rate imposed on sale of tangible personal property

BILL NUMBER: SB 2896, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 237-13(2)(A) to state that the general excise tax shall be imposed at the rate of 0.5% of the gross proceeds of sales of tangible personal property.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This is an administration measure submitted by the department of taxation TAX-12 (14). According to the department's justification sheet submitted with the measure, the wholesale rate of 0.5% on the sale of tangible personal property was inadvertently deleted by Act 135, SLH 2003. Since then, however, both the department and taxpayers have gone on their merry way as if nothing ever happened.

Restoration of the inadvertently deleted language "and in the case of a wholesaler, the tax shall be equal to one-half of one per cent of the gross proceeds of sales of the business" is appropriate.

Digested 3/24/14