

Honolulu, Hawaii

February 11, 2016

RE: H.B. No. 1913  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 1913 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to promote entrepreneurship and stimulate Hawaii's economy by establishing a general excise tax exemption for small businesses with an annual gross income of \$50,000 or less.

The Chamber of Commerce Hawaii supported the intent of this measure. The Department of Taxation, Tax Foundation of Hawaii, and Grassroot Institute of Hawaii commented on this measure.

Small businesses are often touted as the backbone of an economy. While small businesses may not generate as much money as large businesses, they are a critical component of, and major contributor to, the strength of local economies. Small businesses present new employment opportunities to people who may not be employable by larger businesses and bring growth and innovation to the community in which the business is established.

Your Committee finds that establishing a small business, particularly in Hawaii, is difficult. One constant often mentioned in surveys regarding business issues in Hawaii is the financial burden the general excise tax places on businesses. Providing small businesses with an annual gross income of \$50,000



or less with a general excise tax exemption will enable these businesses to grow and further stimulate Hawaii's economy.

However, your Committee notes the concerns raised by the Department of Taxation and Tax Foundation of Hawaii regarding the domiciliary requirement contained in this measure, as well as the tax clearance requirement. Accordingly, your Committee has amended this measure by:

- (1) Removing the requirement that a business be domiciled in Hawaii to claim the general excise tax exemption;
- (2) Clarifying that a small business claiming the general excise tax exemption must be issued a certificate of tax clearance from the Department of Taxation during the taxable year for which the exemption is claimed;
- (3) Changing its effective date to July 1, 2050, to promote further discussion;
- (4) Inserting a provision to repeal this Act on January 1, 2019; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1913, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1913, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development & Business,



DEREK S.K. KAWAKAMI, Chair



