

STAND. COM. REP. NO. 396

Honolulu, Hawaii

February 20, 2015

RE: H.B. No. 968

H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 968 entitled:

"A BILL FOR AN ACT RELATING TO LIABILITY FOR AMOUNTS PASSED ON AS TAX,"

begs leave to report as follows:

The purpose of this measure is to create a conclusive presumption that the taxpayer is liable for any amounts passed on to the consumers as payment for any Title 14, Hawaii Revised Statutes, tax.

The Department of Taxation, and the Office of Consumer Protection testified in support of this measure. Several concerned individuals testified in opposition. Tax Foundation of Hawaii provided comments.

Your Committee has amended this measure to:

- (1) Clarify that for all transactions where an amount is passed on as shown on an invoice, receipt, or other evidence, as the tax owed by the taxpayer, the taxpayer is conclusively presumed liable for the amounts charged;
- (2) Require that any tax liability be reduced by the amount the taxpayer returned to the source from which it was collected;



- (3) Require the Department of Taxation to adopt rules that state the maximum rates at which taxes may be passed on to the consumer;
- (4) Assess civil penalties against violators who pass on taxes at rates higher than the maximum rate;
- (5) Require the Department of Taxation to notify the Office of Consumer Affairs of violations; and
- (6) Add a findings and purpose section explaining the need for this measure.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 968, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 968, H.D. 1, and be referred to the Committee on Finance.

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



KARL RHOADS, Chair



