

Honolulu, Hawaii
March 23, 2016

RE: S.B. No. 2928
S.D. 2
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 S.B. No. 2928, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX REPORTING
FOR SPECIAL EVENTS,"

begs leave to report as follows:

The purpose of this measure is to strengthen enforcement of,
and ensure compliance with, Hawaii's general excise tax law. More
specifically, this measure:

- (1) Requires the Department of Taxation to develop an online form, to be filled out by each special event operator, regarding sellers engaging in business at the operator's special events;
- (2) Requires each special event operator to submit the completed form to the Department whenever the operator files the operator's periodic general excise tax returns with the Department, provided that a special event occurred during the reporting period; and
- (3) Authorizes the Department to issue citations that include fines to special event operators that fail to comply with the reporting requirements.



The Department of Taxation testified in support of this measure. The Stadium Authority testified in support of the intent of this measure. The Hawaii Food Industry Association, Cycle on Hawaii, Special Events Hawaii, Hawaii Alliance of Nonprofit Organizations, and a concerned individual testified in opposition to this measure. The Chamber of Commerce Hawaii and Tax Foundation of Hawaii provided comments.

Special events, such as swap meets, craft fairs, and cultural festivals, represent a special and unique challenge to tax law enforcement since such events often involve primarily cash-based businesses that may or may not be properly licensed. With the number of special events occurring on an annual basis, the Department of Taxation has noted that it lacks adequate resources to ensure that Hawaii's general excise tax law is being complied with at all special events taking place within the State. Your Committee finds that the provision of information on a periodic basis as required by this measure will help the Department of Taxation identify businesses not currently in compliance with their general excise tax obligations and bring those businesses into compliance.

However, your Committee understands concerns raised regarding privacy issues, the broad scope of this measure, and the effect this measure may have on non-profit organizations, as well as other situations where exemptions from the general excise tax are allowed. Accordingly, your Committee has amended this measure by:

- (1) Clarifying that a special event operator is only required to provide specific business information of a seller at a special event to the Department of Taxation by deleting language requiring a special event operator to provide any additional information requested by the Department of Taxation to the Department;
- (2) Clarifying that a special event is any event organized by a special event operator at which two or more retailers, rather than two or more persons, offer property or services for sale or exchange;
- (3) Allowing the Department of Taxation to waive any citation issued to a special event operator for reasonable cause; and



- (4) Exempting persons already exempt from general excise tax laws from being considered as an operator of a special event.

Your Committee has also amended this measure by:

- (1) Changing its effective date to February 19, 2022, to encourage further discussion; and
- (2) 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 S.B. No. 2928, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2928, S.D. 2, 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



