

STAND. COM. REP. NO. 1727-16

Honolulu, Hawaii
April 18, 2016

RE: S.C.R. No. 164

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.C.R. No. 164 entitled:

"SENATE CONCURRENT RESOLUTION REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM, IN CONSULTATION WITH THE DEPARTMENT OF BUDGET AND FINANCE, AND DEPARTMENT OF TAXATION, TO CONDUCT A STUDY ON THE ECONOMIC IMPACT OF GRANTING AN EXEMPTION FOR THE SALE OF GOODS AND SERVICES TO THE FEDERAL GOVERNMENT FROM THE STATE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose of this measure is to request the Department of Business, Economic Development, and Tourism, in consultation with the Department of Budget and Finance, and Department of Taxation, to conduct a study on the economic impact of granting an exemption for the sale of goods and services to the federal government from the state general excise tax.

Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism and the Department of Taxation.

Your Committee finds that contracts to provide goods and services to the federal government are a vital part of Hawaii's economy. Your Committee further finds that businesses domiciled and based in Hawaii are assessed the state general excise tax for the sale of goods and services to the federal government. However, the federal government does not enforce the state general excise tax on out-of-state businesses bidding to provide goods and

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services. Your Committee finds that it is necessary for Hawaii businesses to be on the same footing as out-of-state businesses when bidding on federal contracts and therefore supports a study to determine the potential impacts of exempting the sale of goods and services to the federal government from the State's general excise tax.

The Committee on Economic Development and Business requests that should your Committee on Finance deliberate this measure further, that it consider appropriating \$200,000 for the Department of Business, Economic Development, and Tourism for data collection and extensive analysis to estimate the amount of federal spending that would be subject to Hawaii's general excise tax.

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 concurs with the intent and purpose of S.C.R. No. 164 and recommends that it 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



