

STAND. COM. REP. NO. **3225**

Honolulu, Hawaii

MAR 29 2016

RE: S.C.R. No. 164

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Economic Development, Environment, and Technology, 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 and intent 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 testimony in support of this measure from Ho'omana Pono, LLC. Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism; and Department of Taxation.

Your Committee finds that the federal government purchases goods and services from Hawaii businesses and out-of-state businesses for use and consumption within the State. The federal government does not enforce the State's general excise tax on goods and services purchased from out-of-state small businesses and used and consumed within the State, while Hawaii businesses are assessed a state general excise tax rate of four percent on

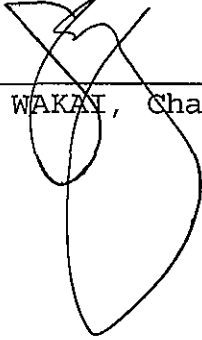
2016-2002 SCR SSCR SMA.doc



the sale of goods and services to the federal government, and another half percent surcharge for sales on Oahu, placing Hawaii businesses at a disadvantage. 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 government 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.

As affirmed by the record of votes of the members of your Committee on Economic Development, Environment, and Technology 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 Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development, Environment, and
Technology,

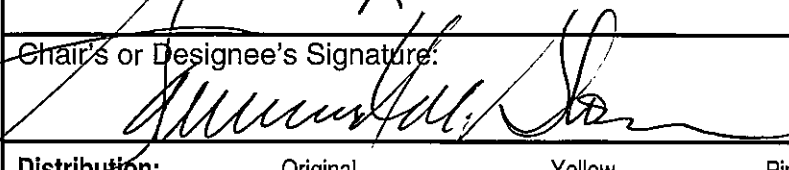


GLENN WAKAI, Chair



The Senate
 Twenty-Eighth Legislature
 State of Hawai'i

Record of Votes
Committee on Economic Development, Environment, and Technology
EET

Bill / Resolution No.:* SCR 164	Committee Referral: EET, WAM	Date: 3/28/16		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
WAKAI, Glenn (C)	✓			
SLOM, Sam (VC)	✓			
BAKER, Rosalyn H.				✓
ESPERO, Will	✓			
GALUTERIA, Brickwood	✓			
IHARA, Jr., Les				✓
KEITH-AGARAN, Gilbert S.C.				✓
RUDERMAN, Russell E.			✓	
THIELEN, Laura H.				✓
TOTAL	4	0	1	4
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes