

STAND. COM. REP. NO. **3430**

Honolulu, Hawaii

APR 07 2016

RE: S.R. No. 125

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

Sir:

Your Committee on Ways and Means, to which was referred S.R. No. 125 entitled:

"SENATE 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 the Department of Taxation, to determine the potential increase in economic activity, including the number of jobs, personal and corporate income, and personal and corporate taxes, that would result from granting an exemption for the sale of goods and services to the federal government from the state general excise tax.

Your Committee received written 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 also 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,

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the federal government does not enforce the state general excise tax on goods and services purchased from out-of-state businesses that are used and consumed within the State. This places Hawaii businesses at a disadvantage when bidding on federal contracts for goods and services. Your Committee further finds that, as a result, federal contracts to provide goods and services to the federal government are often awarded to out-of-state businesses, and ultimately, the loss of these contracts negatively impacts the State's economy.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee concurs with the intent and purpose of S.R. No. 125 and recommends its adoption.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



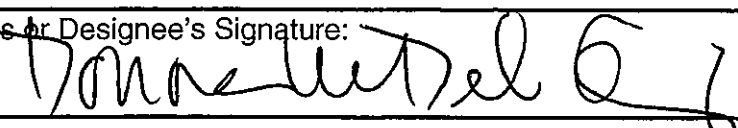
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JILL N. TOKUDA, Chair



The Senate  
 Twenty-Eighth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SR 125</b>	Committee Referral: <b>EET, WAM</b>	Date: <b>4/5/16</b>		
<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
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
CHUN OAKLAND, Suzanne	/			
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood	/			
HARIMOTO, Breene	/			
INOUYE, Lorraine R.	/			
RIVIERE, Gil	/			
TANIGUCHI, Brian T.				/
WAKAI, Glenn				/
SLOM, Sam				/
<b>TOTAL</b>	<b>8</b>			<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes