

STAND. COM. REP. NO.

1754

Honolulu, Hawaii

April 7

, 2017

RE: S.B. No. 620

S.D. 2

H.D. 2

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 620, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure, as received by your Committee, is to ensure fairness and equity in the application of Hawaii's general excise tax by addressing remote sales.

Specifically, this measure amends the definition of "business" for general excise tax purposes to include a person who has no physical presence in the State, but who has gross receipts attributable to the State of \$100,000 or more.

For the purposes of a public hearing on this bill, your Committee circulated S.B. No. 620, H.D. 2 (Proposed Draft), and notified the public that it would be accepting testimony on the Proposed Draft, which further amends the definition of the term "business" to include a person who has no physical presence in the State, but who has gross receipts attributable to the State of \$100,000 or more and has a computer server physically present in the State that is used for gain or economic profit. The Proposed Draft also:

SB620 HD2 HSCR FIN HMS 2017-3536



- (1) Requires a retailer or vendor that makes at least \$100,000 in sales, is located outside the State, and that is not required to pay or collect general excise or use tax to send certain information to purchasers in the State who purchased at least \$500 in tangible personal property from the retailer or vendor;
- (2) Allows the Director of Taxation to require a retailer or vendor that makes at least \$100,000 a year in total sales in the State to submit an annual statement to the Department of Taxation;
- (3) Subjects retailers or vendors who fail to send notification to purchasers or file an annual statement to a penalty of \$10 for each failure to send a notification and \$10 for each purchaser excluded from the annual statement;
- (4) Exempts retailers or vendors who voluntarily collect and pay use tax to the Department of Taxation; and
- (5) Prohibits the Department of Taxation from fining, charging interest on, or penalizing in any way a purchaser who receives notification and does not pay the use tax.

The Chamber of Commerce Hawaii and Retail Merchants of Hawaii testified in support of the Proposed Draft. TechNet testified in opposition to the Proposed Draft. The Department of Taxation, Department of the Attorney General, Tax Foundation of Hawaii, and one individual provided comments on the Proposed Draft.

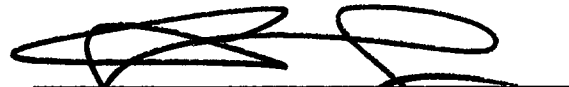
After considering the merits of S.B. No. 620, H.D. 1, as received by your Committee, and the Proposed Draft, your Committee amended this bill by adopting the Proposed Draft. Your Committee further amended this measure by:

- (1) Changing all amounts to unspecified amounts;
- (2) Changing its effective date to July 1, 2030, to facilitate further discussion; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 620, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 620, S.D. 2, H.D. 2.

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



SYLVIA LUKE, Chair



