Honolulu, Hawaii

February 9, 2017

RE: H.B. No. 1413 H.D. 1

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

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 1413 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to create a simplified sellers use tax remittance program that allows out-of-state vendors to collect, report, and remit use taxes to the State for items purchased by Hawaii purchasers for shipment or delivery to the State.

The Department of Taxation supported the intent of the bill. The Tax Foundation of Hawaii submitted comments.

Your Committee has amended this measure by:

- (1) Clarifying in the definition of "eligible seller" that the simplified sellers use tax applies to the sale of tangible personal property, not services, and to sellers who are not otherwise subject to requirements for remitting general excise or use taxes for sales delivered into the State;
- (2) Deleting the definitions for "remote seller" and "remote use tax" and replacing the reference to "remote use tax" with "simplified sellers use tax";

- (3) Clarifying that the Department of Taxation online system is for reporting and remitting the simplified sellers use tax, rather than collecting the tax;
- (4) Clarifying that after the simplified sellers use tax is collected from the purchaser and after collection and remittance by the eligible seller, they are respectively relieved from further general excise and use tax liability on the transaction;
- (5) Clarifying that the eligible seller must remit, as well as report, the tax collected by the eligible seller within the time prescribed by the Department of Taxation;
- (6) Adding a severability clause to the measure;
- (7) Making the measure applicable to taxable years beginning January 1, 2018;
- (8) Amending the effective date to July 1, 2038, to facilitate further discussion; and
- (9) 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 H.B. No. 1413, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1413, 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,

MARK M. NAKASHIMA, Chair

State of Hawaii House of Representatives The Twenty-ninth Legislature

H5CR 158

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: HB1417	Committee Referral: FIN	Date:	2/3/17	
θ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: θ Pass, unamended (as is) θ Pass, with amendments (HD) θ Hold θ Pass short form bill with HD to recommit for future public hearing (recommit)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. NAKASHIMA, Mark M. (C)				
2. KEOHOKALOLE, Jarrett (VC)			TO K IT IN A TO FORCE AND A TOTAL	
3. HOLT, Daniel				
4. JOHANSON, Aaron Ling				
5. TAKUMI, Roy M.			· 海温高速 (1987年)。11年(1987年)	Nagasi - wo sema
6 VAMASHITA Kulo T				
6. YAMASHITA, Kyle T.				
7. MATSUMOTO, Lauren Kealohi	ilani			
7. Millionio, Lauren Realoni	/			
			11.30	
				·
TOTAL (7)				1
The recommendation is: θ Adopted θ Not Adopted If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				