

STAND. COM. REP. NO.

2642

Honolulu, Hawaii

MAR 02 2018

RE: S.B. No. 2508  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committees on Ways and Means and Judiciary, to which was referred S.B. No. 2508 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

beg leave to report as follows:

The purpose and intent of this measure is to improve the collection of taxes by creating a nexus standard for taxing businesses domiciled outside the State on their business activities in Hawaii.

Your Committees received testimony in support of this measure from the Retail Merchants of Hawaii.

Your Committees received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committees find that local businesses are required to collect and remit the general excise tax on goods and services sold to consumers in Hawaii. However, businesses located outside the State are not required to collect this tax when they sell goods to Hawaii residents, which places local businesses at a disadvantage by effectively making goods sold by local businesses more expensive. Your Committees believe that this measure will foster fairness in competition by requiring certain out-of-state businesses to collect and remit state taxes.

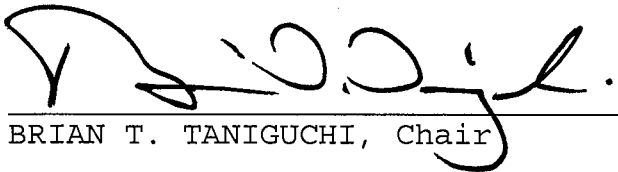


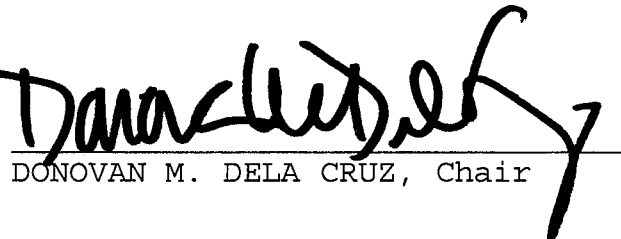
Your Committees have amended this measure by:

- (1) Limiting application of the measure to the general excise tax, rather than to all state taxes;
- (2) Amending the measure so that it applies to "persons lacking physical presence in the State", rather than "businesses domiciled outside the State";
- (3) Clarifying the time period to be used when determining if a person is engaging in business in the State;
- (4) Deleting provisions that would have authorized the remitting of taxes on a basis other than monthly;
- (5) Establishing a threshold of \$100,000 of gross income from in-state sales for determining if a person is engaging in business in the State; and
- (6) Deleting all instances of the term "entity".

As affirmed by the records of votes of the members of your Committees on Ways and Means and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2508, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2508, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committees on Ways and Means  
and Judiciary,


  
BRIAN T. TANIGUCHI, Chair

  
DONOVAN M. DELA CRUZ, Chair



The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

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

Bill / Resolution No.:* <b>SB2508</b>	Committee Referral: <b>WAM/JDC</b>	Date: <b>2/23/18</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 type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
GALUTERIA, Brickwood	X			
HARIMOTO, Breene	X			
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i				X
KIDANI, Michelle N.	X			
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.				X
WAKAI, Glenn				X
<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

