

Honolulu, Hawaii

MAR 02 2018

RE: S.B. No. 2514
S.D. 1

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

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2514 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to promote fairness in tax administration by subjecting any person selling tangible personal property, products transferred electronically, or services for delivery into the State to title 14, Hawaii Revised Statutes, and the general excise tax law; provided that in the previous or current calendar year:

- (1) The person has realized \$5,000 in gross revenue; or
- (2) The person has two hundred or more separate transactions.

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

Your Committee received testimony in opposition to this measure from one individual.

Your Committee received comments on this measure from the Department of the Attorney General, Department of Taxation, and Tax Foundation of Hawaii.



Your Committee finds that many businesses that maintain a physical presence in the State operate on narrow profit margins. These businesses are required to pay the general excise tax on goods sold and services provided at their locations. However, because online merchants are not required to collect the general excise tax on internet sales to customers in Hawaii, local brick-and-mortar stores are at a competitive disadvantage with online merchants. Your Committee finds that this measure will ensure fair competition among all businesses, regardless of location, that sell goods and services to residents of the State.

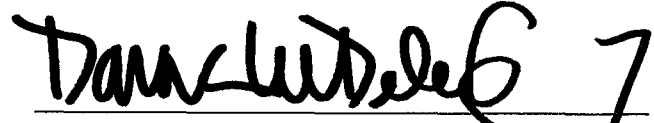
Your Committee has amended this measure by:

- (1) Limiting the application of the measure to the general excise tax law, rather than all taxes in title 14, Hawaii Revised Statutes;
- (2) Clarifying that, for purposes of determining whether a person is doing business in the State, a transaction will be evaluated on whether the intangible property or service is used or consumed in the State, rather than whether the intangible property or service is transferred or delivered in the State;
- (3) Changing from \$5,000 to \$100,000 the threshold of gross receipts or gross proceeds from sales that would qualify as engaging in business in the State; and
- (4) Removing provisions requiring persons meeting the thresholds provided by the measure to "follow all procedures and requirements of law", and instead clarifying that these persons are engaging in business in the State for purposes of complying with the general excise tax law.

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 is in accord with the intent and purpose of S.B. No. 2514, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2514, S.D. 1, and be placed on the calendar for Third Reading.



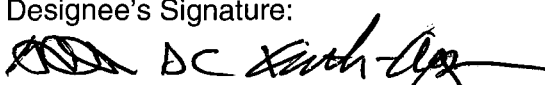
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


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.:* SB2514	Committee Referral: WAM	Date: 2/15/18		
<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			
TOTAL	9			2
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