

Honolulu, Hawaii

FEB 15 2019

RE: S.B. No. 397  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Public Safety, Intergovernmental, and  
Military Affairs, to which was referred S.B. No. 397 entitled:

"A BILL FOR AN ACT RELATING TO CONTRACTING,"

begs leave to report as follows:

The purpose and intent of this measure is to require  
contractors and subcontractors to submit tax clearances as a  
condition of obtaining building permits for private developments  
exceeding a certain value and submit additional tax clearances  
before assignment of a contract for private developments exceeding  
a certain value.

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

Your Committee finds that a tax clearance is verification  
that an entity has paid all of its tax liability on the matter in  
question. Your Committee additionally finds that, pursuant to  
section 103-53, Hawaii Revised Statutes, tax clearances are  
required for all state and county contracts unless an exception  
applies. Additionally, every two years, the Contractors State  
License Board requires contractors to renew their contractor's  
license, and one of the requirements to renew the license is to  
submit a tax clearance certificate.



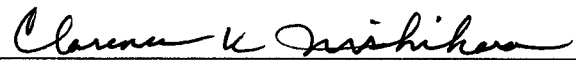
Furthermore, your Committee finds that submitting applications electronically to the Department of Taxation for tax clearances is not currently required. Your Committee further finds that giving the Department of Taxation the authority to require that tax clearance applications be submitted electronically is in the best interests of the State.

Your Committee has amended this measure by authorizing the Department of Taxation to require that tax clearance applications be submitted electronically.

Your Committee notes that the term "most recent tax clearances" is not defined in this measure and request that your Committee on Ways and Means consider defining this term with a specific time period, similar to the way the specific period is specified in section 103-53, Hawaii Revised Statutes.

As affirmed by the record of votes of the members of your Committee on Public Safety, Intergovernmental, and Military Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 397, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 397, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Public Safety,  
Intergovernmental, and Military  
Affairs,

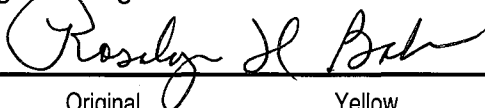


CLARENCE K. NISHIHARA, Chair



The Senate  
Thirtieth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Public Safety, Intergovernmental, and Military Affairs**  
**PSM**

|  |  |                           |          |          |
|--|--|---------------------------|----------|----------|
| Bill / Resolution No.:*<br><b>SB 397</b>   | Committee Referral:<br><b>PSM, WAM</b> | Date:<br><b>2-12-2019</b> |          |          |
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure.<br>If so, then the previous decision was to: _____  |  |                           |          |          |
| The Recommendation is:<br><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  |
| NISHIHARA, Clarence K. (C)   | ✓                                      |                           |          |          |
| WAKAI, Glenn (VC)  |  |                           |          | ✓        |
| BAKER, Rosalyn H.  | ✓                                      |                           |          |          |
| HARIMOTO, Breene   | ✓                                      |                           |          |          |
| FEVELLA, Kurt  |  |                           |          | ✓        |
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| <b>TOTAL</b>   | <b>3</b>                               | <b>—</b>                  | <b>—</b> | <b>2</b> |
| Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted   |  |                           |          |          |
| Chair's or Designee's Signature:<br>  |  |                           |          |          |
| <b>Distribution:</b> Original                      Yellow                      Pink                      Goldenrod<br>File with Committee Report    Clerk's Office            Drafting Agency            Committee File Copy |  |                           |          |          |

\*Only one measure per Record of Votes