

Honolulu, Hawaii

FEB 18 2022RE: S.B. No. 2475
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred S.B. No. 2475 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to clarify that amounts received or accrued for stevedoring services and related services, wharfage, and demurrage are exempt under the general excise tax law.

Your Committee received testimony in support of this measure from Matson Navigation Company, Inc. Your Committee received comments on this measure from the Department of Budget and Finance, Department of Taxation, and the Tax Foundation of Hawaii.

Your Committee finds that interisland cargo transportation is a lifeline for residents and businesses across the State. However, Hawaii consumers pay a higher cost for goods than consumers in the continental United States, as shipping costs are reflected in the costs of imported goods.

Your Committee further finds that tax exemptions relating to the transportation of cargo by ship are warranted because the imposition of tax on the amounts received or accrued for interstate shipping and related services would ultimately be borne by consumers and negatively impact Hawaii's economy. Therefore,



the purpose of this measure is to clarify that amounts received or accrued for stevedoring services, wharfage, and demurrage are exempt under the general excise tax law.

Your Committee has amended this measure by:

- (1) Deleting the undefined term "related services" to narrow the exemption;
- (2) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committee has heard the testimony of the Department of Taxation expressing concerns that this measure should exempt specific income, not payments. Your Committee finds that this issue raises concerns that merit further consideration and requests that your Committee on Ways and Means examine those issues and concerns raised by the testifiers on this measure.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2475, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2475, S.D. 1, and be referred to your Committee on Ways and Means.

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



CHRIS LEE, Chair



