

Honolulu, Hawaii

FEB 06 2007

RE: S.B. No. 678  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committee on Tourism and Government Operations, to which was referred S.B. No. 678 entitled:

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose of this measure is to exempt from the general excise tax amounts received by the operator of the Hawaii Convention Center for reimbursement of costs or advances made pursuant to a contract with the Hawaii Tourism Authority.

Your Committee received testimony in support of this measure from the Hawaii Tourism Authority, Department of Business, Economic Development, and Tourism, and Department of Taxation. Comments were received from the Tax Foundation of Hawaii.

Existing law requires that the general excise tax be imposed upon amounts received from any source, unless exempted by statute. Thus, the operator of the Hawaii Convention Center, a private entity on contract with the Hawaii Tourism Authority, must pay the general excise tax for revenue it receives as part of its contract. The moneys are paid out of the Convention Center Enterprise Special Fund. Your Committee finds that the moneys paid in general excise taxes by the private contractor could otherwise be applied to the operation and marketing of the Hawaii Convention Center. The amount of general excise taxes paid in 2006 was \$700,000, according to testimony. This is a substantial sum of money that, in effect, amounts to taking money from one government source and putting it in another of the same kind.



The intent of this measure is to relieve the inequity of what amounts to the State taxing itself for its own operations. The situation is distinguishable from the situation wherein a private entity is contracted by the State for services that are not provided by the State.

Your Committee has amended this measure by making technical, nonsubstantive amendments for proper drafting form.

As affirmed by the record of votes of the members of your Committee on Tourism and Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 678, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 678, S.D. 1, and be referred to the Committee on Economic Development and Taxation.

Respectfully submitted on  
behalf of the members of the  
Committee on Tourism and  
Government Operations,

*Clarence K. Nishihara*

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CLARENCE K. NISHIHARA, Chair



The Senate  
Twenty-Fourth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Tourism and Government Operations**  
**TSG**

Bill / Resolution No.:*	Committee Referral:	Date:
SB678	TSG, EDT, WAM	2-1-07


☐ The committee is reconsidering its previous decision on this measure.  
If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

☐ Pass, unamended 2312    
 ☒ Pass, with amendments 2311    
 ☐ Hold 2310    
 ☐ Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
NISHIHARA, Clarence K. (C)	/			
KIM, Donna Mercado (VC)	/			
TSUTSUI, Shan S.	/			
TRIMBLE, Gordon	/			
<b>TOTAL</b>	<b>4</b>			

Recommendation: ☒ Adopted     ☐ Not Adopted

Chair's or Designee's Signature:  


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\*Only one measure per Record of Votes