

STAND. COM. REP. NO.

1060

Honolulu, Hawaii

MAR 16 2007

RE: H.B. No. 92  
H.D. 1  
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 Commerce, Consumer Protection, and Affordable Housing, to which was referred H.B. No. 92, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to promote the fair application of the general excise tax by allowing securities professionals to pay the general excise tax only on their respective share of commissions divided among a number of persons.

Your Committee received testimony in support of this measure from Brookstreet Securities Corporation; Linsco/Private Ledger Corp.; SunAmerica Securities, Inc.; the National Association of Insurance and Financial Advisors; and two individuals. The Department of Taxation and the Hawaii Tax Foundation submitted comments on this measure.

The Department of Taxation submitted testimony that the fiscal impact of this measure, if implemented immediately, would be a revenue loss of \$1,400,000 annually. The Department of Taxation did not provide the method in which it calculated the fiscal impact of this measure.

Testimony submitted by the National Association of Insurance and Financial Advisors testified that the fiscal impact of this measure would be a revenue loss of between \$400,000 and \$1,000,000

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annually. The National Association of Insurance and Financial Advisors did not provide the method in which it calculated the fiscal impact of this measure.

Your Committee finds that where two or more securities professionals share compensation, each should only be required to pay taxes on their respective portions, rather than on the entire compensation.

The intent of this measure is to add securities professionals, such as brokers, dealers, salespersons, and investment advisors, to the list of persons in section 237-18, Hawaii Revised Statutes, who are only required to pay general excise tax on the portion of compensation they retain individually, rather than on the whole compensation received.

Your Committee has amended this measure to change the effective date to July 1, 2007.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Affordable Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 92, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 92, H.D. 1, 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 Commerce, Consumer  
Protection, and Affordable  
Housing,

  
BRIAN T. TANIGUCHI, Chair



