STAND. COM. REP. NO.

322

Honolulu, Hawaii

FEB 1 5 2007

RE: S.B. No. 216

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

## Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 216 entitled:

"A BILL FOR AN ACT RELATING TO CAPITAL GOODS EXCISE TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to amend the definition of "cost" with regard to the capital goods excise tax credit, by:

- (1) Deleting the actual invoice price of the tangible personal property from the definition; and
- (2) Clarifying that the basis for the depreciation was subject to tax at the rate of four per cent under chapter 237 or 238, Hawaii Revised Statutes.

The Department of Taxation (Department) submitted comments.

Your Committee received a revenue impact statement from the Department that stated canned software would be considered capital goods. Using this as an example, the Department estimated the revenue loss on this item alone would be between \$1,000,000 and \$2,000,000. However, it is unclear whether the revenue loss was calculated on an annual basis.

Your Committee then asked the Department if installation, such as for large computer systems, would be included with the actual cost of the equipment in the capital goods credit. The

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Department responded that an assumption might be made that installation would be twenty-five per cent of the cost, raising the total revenue impact to \$1,250,000 to \$2,500,000, but providing no further information.

Your Committee believes that installation costs may be included under federal law, and finds this warrants further discussion as additional information is received.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 216 and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on Economic Development and Taxation,

CAROL FUKUNAGA/ Chair

## The Senate Twenty-Fourth Legislature State of Hawaii

## Record of Votes Committee on Economic Development and Taxation EDT

Bill / Resolution No.:*	Committee Referral:		į.	Date:	
3B 216	EDT,	WAM		2/13/	07
The committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Ауе	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)		سسن			
ESPERO, Will (VC)					
ENGLISH, J. Kalani					~
IGE, David Y.					
SLOM, Sam					
		4			7
TOTAL					
Recommendation:  Adopted Not Adopted					
Chair's or Designee's Signature:					
Distribution: Original Yellow Pink File with Committee Report Clerk's Office Drafting Agency					

\*Only one measure per Record of Votes