STAND. COM. REP. NO. 450

Honolulu, Hawaii **GLL 18**, 2011

RE: H.B. No. 1183 H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Sixth State Legislature Regular Session of 2011 State of Hawaii

Sir:

Your Committee on Economic Revitalization & Business, to which was referred H.B. No. 1183 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 minimize the loss of revenues of local businesses due to sales by out-of-state online retailers.

Specifically, the measure:

- Creates a nexus standard for taxing out-of-state businesses on their business activities in Hawaii;
- (2) Amends the definition of "engaging in business" with regard to the general excise tax to include persons who enter into an agreement with residents of the State, where the person pays a commission for referral of potential customers; and
- (3) Allows out-of-state businesses to file information regarding sales to residents of the State, instead of collecting and remitting general excise taxes to the department of taxation.



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One private individual testified in support of the measure. The Department of Taxation supported the intent of the measure. The Tax Foundation of Hawaii commented on the measure.

Your Committee finds that this measure proposes an approach to collecting the general excise tax on out-of-state purchases. However, your Committee notes the concerns raised by the Department of Taxation that the measure could cause a revenue loss by allowing businesses that already have nexus in the State to stop paying the general excise tax and file an informational return instead. Your Committee respectfully requests that the Committee on Finance further consider this issue and the concerns raised by the Department of Taxation regarding the difficulties that the Department would encounter in collecting the use tax from consumers.

Your Committee has amended this measure by changing the effective date to July 1, 2112, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Economic Revitalization & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1183, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1183, H.D. 1, and be referred to the Committee on Finance.

HB1183 HD1 HSCR LRB 11-1760.doc

Respectfully submitted on behalf of the members of the Committee on Economic Revitalization & Business,

ANGUS L.K. MCKELVEY, Chair

State of Hawaii House of Representatives The Twenty-sixth Legislature



Record of Votes of the Committee on Economic Revitalization& Business

Bill/Resolution No.: HBUS3 ERE		Date:	2/15/1	/
The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit) 				
ERB Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)				
2. CHOY, Isaac W. (VC)		ļ		
3. AWANA, Karen L.				
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4. BROWER, Tom				~
5 EXAMS Cindar	<u>.</u>			
5. EVANS, Cindy				
6. HASHEM, Mark J.)			
7. NISHIMOTO, Scott Y.				V
8. TOKIOKA, James Kunane				
8. TOKIOKA, James Kunane				
9. TSUJI, Clift				
	,			
10. MARUMOTO, Barbara C.	_ /			
11. PINE, Kymberly Marcos			· ···	
TOTAL (11)	7		φ	3
The recommendation is: Adopted I Not Adopted If joint referral, did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				