

Honolulu, Hawaii

APR 05 2012

RE: H.B. No. 798  
H.D. 1  
S.D. 2

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 798, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to impose the general excise tax on gross income derived from a life settlement contract by a person not related to the insured.

Prior to decision making, your Committee made available for public review a proposed S.D. 2, which deleted the contents of this measure and replaced it with language restoring the general excise tax exemption for sales of computer hardware, computer software, and telecommunications equipment to the United States and state-chartered credit unions.

Written comments on this measure were submitted by the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that Act 105, Session Laws of Hawaii 2011, temporarily suspended certain exemptions from the general excise tax. One of the suspended exemptions is for the general excise tax imposed on tangible personal property, including computer hardware, computer software, and telecommunications equipment, that is sold by a person licensed under chapter 237, Hawaii Revised Statutes, to the United States and to any state-chartered credit union, pursuant to section 237-25(a)(3), Hawaii



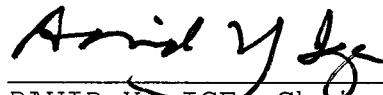
Revised Statutes. Your Committee also finds that not providing this exemption imposes a financial burden on state businesses that sell computer hardware, computer software, and telecommunications equipment to the federal government and puts them at a disadvantage when competing with out-of-state businesses that are not obliged to pay the State's general excise tax. Your Committee believes this measure is necessary to promote the growth and maintain the competitiveness of local businesses that sell goods to the federal government.

Your Committee has amended this measure by replacing its contents with the amendments in the proposed S.D. 2 and has further amended this measure by:

- (1) Making a housekeeping amendment to Act 105, Session Laws of Hawaii 2011, to comply with federal law;
- (2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (3) Making technical nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 798, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 798, H.D. 1, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
\_\_\_\_\_  
DAVID Y. ICE, Chair



The Senate  
Twenty-Sixth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

|                         |                     |        |
|-------------------------|---------------------|--------|
| Bill / Resolution No.:* | Committee Referral: | Date:  |
| HB798 HDI SDI           | CPN, WAM            | 4-5-12 |

☐ 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  |
|--------------------------|-----------|----------|----------|----------|
| IGE, David Y. (C)        | ✓         |          |          |          |
| KIDANI, Michelle N. (VC) | ✓         |          |          |          |
| CHUN OAKLAND, Suzanne    | ✓         |          |          |          |
| DELA CRUZ, Donovan M.    |           |          |          | ✓        |
| ENGLISH, J. Kalani       | ✓         |          |          |          |
| ESPERO, Will             | ✓         |          |          |          |
| FUKUNAGA, Carol          | ✓         |          |          |          |
| KIM, Donna Mercado       | ✓         |          |          |          |
| KAHELE, Gilbert          | ✓         |          |          |          |
| KOUCHI, Ronald D.        |           |          |          | ✓        |
| RYAN, Pohai              |           |          |          | ✓        |
| TOKUDA, Jill N.          | ✓         |          |          |          |
| WAKAI, Glenn             | ✓         |          |          |          |
| SLOM, Sam                |           | ✓        |          |          |
|                          |           |          |          |          |
|                          |           |          |          |          |
|                          |           |          |          |          |
|                          |           |          |          |          |
| <b>TOTAL</b>             | <b>10</b> | <b>1</b> | <b>0</b> | <b>3</b> |

Recommendation: ☒ Adopted     ☐ Not Adopted

Chair's or Designee's Signature: *Michelle N. Kidani*

|               |  |                          |                         |                                  |
|---------------|--|--------------------------|-------------------------|----------------------------------|
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\*Only one measure per Record of Votes