STAND. COM. REP. NO.

Honolulu, Hawaii April 5 , 2013 RE: S.B. No. 1289 S.D. 2 H.D. 1

Honorable Joseph M. Souki Speaker, House of Representatives Twenty-Seventh State Legislature Regular Session of 2013 State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 1289, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION, "

begs leave to report as follows:

The purpose of this measure is to require payors of non-wage payments for construction services to report the payments to the Department of Taxation. Specifically, this measure:

- (1) Creates procedures, requirements, and deadlines for the submitting of payment reports; and
- (2) Sets penalties for taxpayer failure to report.

The Laborers' International Union of North America Local 368, Masons Union Local 1 & 630, and Operating Engineers Local Union #3 testified in support of this measure. The Construction Financial Management Association, Hawai'i Association of REALTORS, and Subcontractors Association of Hawaii testified in opposition to this measure. The Department of Taxation, Tax Foundation of Hawaii, Building Industry Association of Hawaii, Hawai'i Construction Alliance, Hawaii Regional Council of Carpenters, General Contractors Association, and an individual provided comments on this measure.



STAND. COM. REP. NO. 1417 Page 2

Your Committee has amended this measure by:

- Requiring annual reports submitted by a payor to the Department of Taxation to include the general excise taxpayer identification numbers, federal taxpayer identification numbers, or social security numbers as specified;
- (2) Requiring the annual payment report to be transmitted by the payor to the Department of Taxation on or before the twentieth day of the fourth month, rather than the last day of the third month, following the close of the payor's taxable year in which payments were made;
- (3) Deleting the requirement that the payor also transmit the report to the Director of Labor and Industrial Relations;
- (4) Authorizing the Director of Taxation to adopt rules and prepare forms as may be necessary to effectuate the annual reporting requirements established by this measure;
- (5) Authorizing the Director of Taxation to enter into agreements with state and federal law enforcement to share the required annual reports under certain circumstances;
- (6) Amending amounts of penalties for noncompliance;
- (7) Changing its effective date to July 1, 2030, to encourage further discussion; and
- (8) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1289, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1289, S.D. 2, H.D. 1, and be placed on the calendar for Third Reading.



STAND. COM. REP. NO. 1467 Page 3

Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LUKE, Chair



State of Hawaii House of Representatives The Twenty-seventh Legislature



Record of Votes of the Committee on Finance

Bill/Resolution No.:	Committee Referral:	Date:		
SB1289 SD2	FIN	04	/03/13	
□ The committee is reconsidering its previous decision on the measure.				
The recommendation is to:				
Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)				
2. NISHIMOTO, Scott Y. (VC)				
3. JOHANSON, Aaron Ling (VC)				
4. CULLEN, Ty J.K.				
5. HASHEM, Mark J.				
6. ING, Kaniela				
7. JORDAN, Jo				
8. KOBAYASHI, Bertrand				
9. LOWEN, Nicole E.				
10. MORIKAWA, Dee				
11. ONISHI, Richard H.K.				
12. TAKAYAMA, Gregg				
13. TOKIOKA, James Kunane		_	· · · · · · · · · · · · · · · · · · ·	
14. WOODSON, Justin H.				
15. YAMASHITA, Kyle T.				
16. FUKUMOTO, Beth				
17. WARD, Gene				
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TOTAL (17)	17			
The recommendation is: 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				