,Honolulu, Hawaii

RE: S.B. No. 1360

> S.D. 1 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. 1360, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to make permanent the general excise tax exemption for certain common expenses for condominiums, hotels, and timeshares.

Specifically, this measure permanently:

- (1) Exempts from the general excise tax amounts received by submanagers of association of apartment owners of a condominium property regime or nonprofit homeowners or community associations;
- Exempts from the general excise tax amounts received by (2) operators and suboperators of a timeshare or hotel for employee expenses and insurance premiums; and
- Removes the \$400,000 general excise tax exemption cap on (3) timeshare or hotel payments for employee expenses and insurance premiums.

Your Committee received testimony in support to this measure from the Hawaii Association of Realtors, Hawaiiana Management Co.

SB1360 HD1 HSCR LRB 13-2123.doc

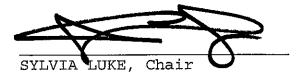
Ltd, Hawaii Community Associations Institute, American Resort Development Association, Wyndham Vacation Ownership, Outrigger Enterprises Group, and Starwood Vacation Ownership. Your Committee received comments on this measure from the Department of Taxation, the Hawaii Lodging and Tourism Association, and the Tax Foundation of Hawaii.

Your Committee finds that exempting payments for employee expenses, insurance premiums, and other costs from the general excise tax will apply a consistent level of taxation for timeshares and hotels, whether managed locally or by offshore management companies. Similarly, your Committee believes that a general excise exemption for condominium expenses paid by submanagers provides for uniform treatment of amounts received relating to common area expenses paid for a condominium, whether received by a manager, submanager, or board of directors.

Your Committee has amended this measure by replacing its contents with the contents of H.B. No. 334, H.D. 1, which makes the general excise tax exemption permanent for the same entities, but does not remove the \$400,000 general excise tax exemption cap.

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. 1360, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1360, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.

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





State of Hawaii House of Representatives The Twenty-seventh Legislature

Record of Votes of the Committee on Finance

Bill/Resolution No.:	Committee Referral:		Date:		
SB1360 SD1	FIN		03/14/13		
☐ 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)					
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.				<u> </u>	
15. YAMASHITA, Kyle T.					
16. FUKUMOTO, Beth					
17. WARD, Gene					
			7		
				-	
TOTAL (17)	- 1 (7				
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)					
Vice Chair's or designee's signature:					
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO					