Honolulu, Hawaii

April 5, 2013

RE: S.B. No. 948

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. 948, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure, as received by your Committee, is to implement Hawaii's participation in the national Streamlined Sales and Use Tax Agreement by:

- (1) Amending Hawaii's tax laws to allow the State to participate in the national Streamlined Sales and Use Tax Agreement; and
- (2) Creating a committee to oversee the Department of Taxation's implementation and administration of, and compliance with the Streamlined Sales and Use Tax Agreement.

For the purposes of a public hearing, your Committee circulated Proposed S.B. No. 948, S.D.1, H.D.1 and notified the public that it would accept testimony on the proposal which among other things:

(1) Expands the application of the general excise tax to include sales activities in the State that are

significantly associated with a seller's ability to establish or maintain a market in the State;

- (2) Creates a presumption under the general excise tax law that a seller of tangible personal property is engaged in business in the State if the seller's activities in the State demonstrate a significant business nexus with the State; and
- (3) Creates a presumption under the use tax law that a seller is engaged in business in the State if the seller's activities in the State demonstrate a significant business nexus with the State.

Retail Merchants of Hawaii and Walgreens provided testimony in support of this measure. The Department of Taxation, Tax Foundation of Hawaii, The Chamber of Commerce of Hawaii, and Hawaii Association of REALTORS provided comments on this measure.

Upon consideration, your Committee has adopted the Proposed Draft of this measure with technical, nonsubstantive amendments made for the purposes of 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. 948, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 948, 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,

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:	
SB948 SD1	FIN		04/04/13	
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				<u></u>
13. TOKIOKA, James Kunane			, <u></u>	· <u></u>
14. WOODSON, Justin H.				
15. YAMASHITA, Kyle T.				
16. FUKUMOTO, Beth			_/_	
17. WARD, Gene				<u></u>
			-	<del></del>
TOTAL (17)	(3	2	2	
The recommendation is:  Adopted Not 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				