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To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: Wednesday, February 18, 2015
Time: 9:00 A.M.
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1212, Relating to Amending or Repealing Various Provisions of Hawaii Tax Laws for
the Purpose of Deleting Obsolete or Unnecessary Provisions

The Department of Taxation (Department) respectfully requests additional time to review and analyze S.B. 1212 to ensure that the proposed amendments do not have unintended consequences.

Thank you for your consideration.

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SUBJECT: GENERAL EXCISE, PUBLIC SERVICE COMPANY, Repeal obsolete provisions

BILL NUMBER: SB 1212; HB 84 (Identical)

INTRODUCED BY: SB by Tokuda; HB by Luke

EXECUTIVE SUMMARY: Repeals obsolete provisions in the general excise tax and public service company tax laws.

BRIEF SUMMARY: Repeals HRS section 237-13.3 that provided for the phase-in of the 0.5% tax on wholesale sales that became fully operational in calendar 2006.

Repeals HRS section 237-16.5 that phased-in the 0.5% rate on real property subleasing transactions.

Repeals HRS section 239-5 that phased-in the 0.5% rate on the sale of telecommunications services by a public utility for resale.

Repeals HRS section 239-6 that phased-in the 0.5% rate for motor carriers who provide services to the construction industry.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: The proposed measure repeals obsolete sections of the general excise and public service company tax laws that were enacted to reduce the pyramiding effect of the general excise tax by providing that these transactions are taxed at the wholesale rate of 0.5%. To minimize the revenue loss, these sections provided a gradual phase-in of the rates wherein the final rate was 0.5% over a period of years.

Since this measure would merely clean up the obsolete sections that are no longer necessary, there would be no revenue loss due to the adoption of this measure.

Digested 2/13/15