

SB 3075

RELATING TO TRAILERS

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To: The Honorable Lorraine R. Inouye, Chair
and Members of the Senate Committee on Transportation and Energy

Date: February 10, 2016
Time: 2:55 P.M.
Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 3075, Relating to Trailers.

The Department of Taxation (Department) appreciates the intent of S.B. 3075 and offers the following comments for your consideration.

S.B. 3075 requires that owners of trailers that import a trailer into the State, must provide as a condition for registration, a certificate proving that the taxpayer has paid the use tax owed on the landed value of the imported trailer. The measure is effective on approval.

First, the Department notes that this bill will require a new form similar to the Department's existing form G-27, which is used to certify use tax payment on an imported motor vehicle. The Department requests an effective date of no earlier than January 1, 2017 to allow time to create the new form and instructions.

Second, the Department notes that there is redundancy in the language of this measure. The bill states the certificate is only required if the trailer is subject to the use tax, but also allows the owner to submit proof that use of the trailer does not constitute "use" as defined in section 238-1, Hawaii Revised Statutes (HRS). However, if use of the trailer does not constitute "use" as defined in section 238-1, HRS, then the trailer is not subject to use tax in the first place. Therefore, the Department recommends the final clause of subsection (a), beginning with "provided that," be deleted.

This amendment will remove the redundancy in the language and will also match this requirement to the similar requirement for imported motor vehicles. The form G-27 for imported motor vehicles contains provisions allowing a taxpayer to claim the imported motor vehicle is not subject to use tax.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, FRANCHISE, Periodic Review of Exemptions, Deductions, and Credits, Surcharge on Beneficiaries of Tax Benefits

BILL NUMBER: SB 3075; HB 1610 (Identical)

INTRODUCED BY: SB by L. THIELEN, Espero, Gabbard, Ihara, Kim, Nishihara; HB by THIELEN

EXECUTIVE SUMMARY: This bill would require an owner of a trailer bought out-of-state and subsequently brought into the State to provide proof of payment of the use tax with the application for registration unless otherwise exempt. It applies to trailers the requirements now applied to other motor vehicles, and is reasonable.

BRIEF SUMMARY: Amends HRS section 286-47.2 to state that the owner of every trailer of the current, previous, and subsequent year model bought out-of-state, subsequently brought into the State, and subject to the use tax under chapter 238 shall provide with the application for registration proof of payment of the use tax pursuant to requirements established by the department of taxation. No certificate of registration shall be issued without proof of payment of the use tax unless the owner furnishes proof to the director of taxation that the trailer is exempt from the term "use" as provided in section 238-1.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: HRS section 286-41(d) presently provides that the owner of every motor vehicle of the current, previous, and subsequent year model bought out-of-state, subsequently brought into the State, and subject to the use tax under chapter 238 shall provide with the application for registration proof of payment of the use tax pursuant to requirements established by the department of taxation. No registration certificate shall be issued without proof of payment of the use tax.

Extending this requirement to trailers, which need to be similarly registered, appears to be reasonable and appropriate.

Digested 2/8/16

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February 8, 2016

Senate Committee on Transportation & Energy
Senator Lorraine Inouye - Chair
Senator Mike Gabbard - Vice Chair
State Capital
415 S. Beretania Street
Honolulu, HI 96813

Subject: SB 3075 General Excise Tax Collection on Trailers

Dear Committee Members,

There appears to be an inconsistency in the collection of taxes on trailers being registered in the State of Hawaii. Trailers brought in new from the mainland by businesses and private parties aren't always assessed the tax while local dealers must charge the tax. This puts local dealers at a distinct disadvantage. Policies and practices need to be put in place to remedy this situation.

If you need any additional information please let us know.

Sincerely,

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