Honolulu, Hawaii

MAR 0 2 2017

RE: S.B. No. 620 S.D. 2

Honorable Ronald D. Kouchi President of the Senate Twenty-Ninth State Legislature Regular Session of 2017 State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 620, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the state general excise tax to address remote sales.

More specifically, this measure amends the definition of the term "business" to include a person who has no physical presence in the State, but who has gross receipts attributable to the State of \$100,000 or more.

Your Committee received written comments in support of this measure from The Chamber of Commerce Hawaii.

Your Committee received written comments on this measure from the Department of the Attorney General, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that a seller with no physical presence in a customer's state might see no obligation to collect and remit tax in the customer's state. Your Committee also finds that, while such a customer would be liable for a use tax, tax departments throughout the country have met with little success in motivating such customers, especially those with small purchases,

to pay a use tax. Your Committee further finds that many internet-based retailers and vendors unfairly benefit from the State's inability to enforce the use tax against purchasers, resulting in lost revenue by the State and lost sales by conventional "brick and mortar" retailers. This measure will help to address this tax inequity.

Your Committee has amended this measure by changing the effective date to July 1, 2017.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 620, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 620, S.D. 2.

Respectfully submitted on behalf of the members of the Committee on Ways and Means,

JILL N. TOKUPA, Chair

The Senate Twenty-Ninth Legislature State of Hawaiʻi

Record of Votes Committee on Ways and Means WAM

Bill / Resolution No.:*	Committee Referral:			Date:	
58 620,501	CPH, WAM			27 Feb	2017
The Committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Aye	Aye (W	R) Nay	Excused
TOKUDA, Jill N. (C)					
DELA CRUZ, Donovan M. (VC)					
ENGLISH, J. Kalani				-	
GALUTERIA, Brickwood					7.4
HARIMOTO, Breene					
INOUYE, Lorraine R.					
KAHELE, Kaiali'i					
RIVIERE, Gil				-	
SHIMABUKURO, Maile S.L.					
TANIGUCHI, Brian T.	r				
WAKAI, Glenn					
		a			
TOTAL		l 8			3
Recommendation: Adopted Not Adopted					
Chair's or Designee's Signature:					
The Sh					
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^{*}Only one measure per Record of Votes