

STAND. COM. REP. NO.

2564

Honolulu, Hawaii

MAR 01 2018

RE: S.B. No. 2968
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2968 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to improve the collection of the general excise tax from nonresident owners of real property located in the State.

More specifically, this measure:

- (1) Requires a person authorized to collect rent on behalf of a nonresident owner of real property located in the State to withhold the general excise tax due on rents collected; and
- (2) Requires a nonresident owner who receives rents attributable to real property located in the State to enter into a rent collection agreement with a person authorized to collect rents for the nonresident owner.

Your Committee received testimony in support of this measure from Niwao and Roberts, Certified Public Accountants.



Your Committee received testimony in opposition to this measure from the Coalition for Equal Taxation and Rental by Owner Awareness Association.

Your Committee received comments on this measure from the Department of Taxation, Hawaii Association of REALTORS, and Tax Foundation of Hawaii.

Your Committee finds that many nonresident owners of real property located in the State are unaware that Hawaii imposes a general excise tax on rental income. Your Committee also finds that, as a result, instances of nonresident property owners failing to report or pay general excise taxes on rental income attributable to real property they own in the State has become a pervasive problem. Your Committee further finds that this measure is intended to ensure that the State is able to collect the appropriate amount of taxes owed by all property owners.

Your Committee has amended this measure by:

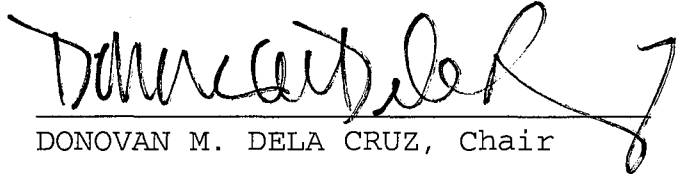
- (1) Adding language imposing personal liability on a person who collects rent on behalf of a nonresident owner of real property located in the State;
- (2) Requiring that a person who reports and pays general excise taxes on behalf of a nonresident owner of real property located in the State do so on a separate general excise tax account;
- (3) Deleting language that would exclude property owners who are exempt from the general excise tax pursuant to section 237-23, Hawaii Revised Statutes;
- (4) Amending the effective date so that the measure applies to taxable years beginning after December 31, 2018; and
- (5) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

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. 2968, as amended herein, and recommends that it pass Second



Reading in the form attached hereto as S.B. No. 2968, S.D. 1, and
be placed on the calendar for Third Reading.

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


DONOVAN M. DELA CRUZ, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB2968	Committee Referral: WAM	Date: 2/8/18		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"><input type="checkbox"/> Pass, unamended 2312</div> <div style="text-align: center;"><input checked="" type="checkbox"/> Pass, with amendments 2311</div> <div style="text-align: center;"><input type="checkbox"/> Hold 2310</div> <div style="text-align: center;"><input type="checkbox"/> Recommit 2313</div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
GALUTERIA, Brickwood	X			
HARIMOTO, Breene	X			
INOUE, Lorraine R.	X			
KAHELE, Kaiali'i	X			
KIDANI, Michelle N.	X			
RIVIERE, Gil				X
SHIMABUKURO, Maile S.L.				X
WAKAI, Glenn	X			
TOTAL	9			2
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted </div>				
Chair's or Designee's Signature: 				
<div style="display: flex; justify-content: space-between; font-size: small;"> <div>Distribution:</div> <div>Original</div> <div>Yellow</div> <div>Pink</div> <div>Goldenrod</div> </div> <div style="display: flex; justify-content: space-between; font-size: x-small; margin-top: 2px;"> <div>File with Committee Report</div> <div>Clerk's Office</div> <div>Drafting Agency</div> <div>Committee File Copy</div> </div>				

*Only one measure per Record of Votes