

TWENTY-THIRD DAY

Friday, February 17, 1978

The Senate of the Ninth Legislature of the State of Hawaii, Regular Session of 1978, convened at 11:30 o'clock a.m., with the President in the Chair.

The Divine Blessing was invoked by Reverend Satoru Kawai of the Jodo Mission of Hawaii, after which the Roll was called showing all Senators present with the exception of Senators F. Wong and Yee, who were excused.

The President announced that he had read and approved the Journal of the Twenty-Second Day.

At this time, the following introductions were made to the members of the Senate:

Senator Saiki introduced 66 students from the kindergarten and first grades at Aina Haina School and their teachers, Florence Lau, Agnes Okino and Jenny Yee and parents, Mrs. Sandy Ho and Mrs. Linda Nakasone.

Senator Chong then introduced a group of students from the special education class at Liliuokalani Elementary School, with their teachers, Mrs. Dorothy Nakata, Miss Janet Nitta and Mrs. Grace Tobita and a parent, Mrs. Betty Hirose.

Senator R. Wong introduced a former teacher at Farrington High School, Mr. T. Y. Goo, and a friend who accompanied him, Mrs. Phoebe Chu.

Senator Kuroda introduced Coast Guard Chief Charles Ingram who is visiting Hawaii from Midway Island.

HOUSE COMMUNICATIONS

The following communications from the House (Hse. Com. Nos. 26 to 28) were read by the Clerk and were disposed of as follows:

A communication from the House (Hse. Com. No. 26), informing the Senate that the amendments proposed by the Senate to House Bill No. 264, H.D. 1, were this day agreed to by the House; and H.B. No. 264, H.D. 1, S.D. 2, passed Final Reading in the House of Representatives on February 16, 1978, was placed on file.

A communication from the House (Hse. Com. No. 27), returning

Senate Concurrent Resolution No. 52 which was adopted by the House of Representatives on February 16, 1978, was placed on file.

A communication from the House (Hse. Com. No. 28), transmitting House Bill No. 1954-78, which passed Third Reading in the House of Representatives on February 16, 1978, was placed on file.

On motion by Senator Taira, seconded by Senator Anderson and carried, H.B. No. 1954-78, entitled: "A BILL FOR AN ACT RELATING TO LABOR STANDARDS FOR THE REGISTRATION OF APPRENTICESHIP PROGRAMS", passed First Reading by title and was referred to the Committee on Human Resources.

SENATE CONCURRENT RESOLUTIONS

The following concurrent resolutions (S.C.R. Nos. 55 and 56) were read by the Clerk and were disposed of as follows:

A concurrent resolution (S.C.R. No. 55), entitled: "SENATE CONCURRENT RESOLUTION RELATING TO THE CREATION OF A JOINT LEGISLATIVE COMMITTEE ON INFORMATION SYSTEMS", was jointly offered by Senators Hulten, George, Young, Yamasaki, Taira, Kawasaki, Yim, Ching, R. Wong, Toyofuku, King, Saiki, Kuroda, O'Connor, Nishimura, Yee, Henderson, Leopold and Takitani.

By unanimous consent, S.C.R. No. 55 was referred to the Committee on Legislative Management.

A concurrent resolution (S.C.R. No. 56), entitled: "SENATE CONCURRENT RESOLUTION REQUESTING A COMPREHENSIVE ANALYSIS OF CURRENT AND FUTURE NEEDS OF INTER-ISLAND TRANSPORTATION OF INTER-ISLAND FREIGHT", was jointly offered by Senators King, Hara, Toyofuku, Hulten, R. Wong, Leopold, Kuroda, Ching, George, Takitani, Chong, Henderson, O'Connor, Yee, Soares, Anderson, Saiki, Young and Taira.

By unanimous consent, S.C.R. No. 56 was referred to the Committee on Transportation.

SENATE RESOLUTIONS

The following resolutions (S.R. Nos. 206 to 212) were read by the Clerk and were disposed of as follows:

A resolution (S.R. No. 206), entitled: "SENATE RESOLUTION EXTENDING CONGRATULATIONS TO MR. HERBERT

WATANABE UPON BEING HONORED BY THE ASSOCIATION OF SCHOOL BUSINESS OFFICIALS OF THE UNITED STATES AND CANADA", was jointly offered by Senators Hara, Ushijima, Henderson, Chong, Nishimura, Takitani, Taira, Ching, Hulten, Kuroda, Soares, R. Wong, King, Toyofuku, Yamasaki, Saiki, Leopold, Young and George.

On motion by Senator Hara, seconded by Senator Henderson and carried, S.R. No. 206 was adopted.

A resolution (S.R. No. 207), entitled: "SENATE RESOLUTION EXTENDING CONGRATULATIONS TO PAUL KITSUTANI UPON BEING SELECTED TO PERFORM WITH THE HONOLULU SYMPHONY ORCHESTRA", was jointly offered by Senators Hara, Ushijima, Henderson, R. Wong, Hulten, Toyofuku, Ching, Leopold, King, Chong, Takitani, Yamasaki, Young, Saiki, Nishimura, George, Yim, Taira, O'Connor, Anderson and Soares.

On motion by Senator Hara, seconded by Senator Henderson and carried, S.R. No. 207 was adopted.

A resolution (S.R. No. 208), entitled: "SENATE RESOLUTION REQUESTING A MORATORIUM ON FEDERAL ENCROACHMENT UPON STATE WATERS IN THE NORTHWESTERN HAWAIIAN ISLANDS", was jointly offered by Senators Hara, Takitani, Taira, Leopold, Ching, Chong, Hulten, Kuroda, Henderson, Nishimura, R. Wong, Young, Toyofuku, Ushijima, Yamasaki, Saiki and George.

By unanimous consent, S.R. No. 208 was referred to the Committee on Ecology, Environment and Recreation.

A resolution (S.R. No. 209), entitled: "SENATE RESOLUTION RELATING TO THE RETURN OF TERN ISLAND FACILITIES TO THE STATE OF HAWAII", was jointly offered by Senators Hara, Ching, Toyofuku, Hulten, Chong, Takitani, Ushijima, Yamasaki, Young, Saiki, Leopold, Nishimura and George.

By unanimous consent, S.R. No. 209 was referred to the Committee on Judiciary.

A resolution (S.R. No. 210), entitled: "SENATE RESOLUTION REQUESTING A COMPREHENSIVE ANALYSIS OF CURRENT AND FUTURE NEEDS OF INTER-ISLAND TRANSPORTATION OF INTER-ISLAND FREIGHT", was jointly offered by Senators King, Hara, Toyofuku, Hulten, R. Wong,

Leopold, Kuroda, Ching, George, Takitani, Chong, Henderson, O'Connor, Yee, Anderson, Soares, Saiki, Young and Taira.

By unanimous consent, S.R. No. 210 was referred to the Committee on Transportation.

A resolution (S.R. No. 211), entitled: "SENATE RESOLUTION CONGRATULATING THE HAWAII BALLROOM DANCE ASSOCIATION", was jointly offered by Senators F. Wong, Kawasaki, Ching, Saiki, Takitani, Taira, Toyofuku, Kuroda, Henderson, Leopold, Yee, Soares, Yim, King, George, Chong, Young and Hara.

On motion by Senator R. Wong, seconded by Senator Kawasaki and carried, S.R. No. 211 was adopted.

A resolution (S.R. No. 212), entitled: "SENATE RESOLUTION CONGRATULATING SHIGERU S.K. ODA UPON RECEIPT OF THE FIFTH CLASS ORDER OF THE SACRED TREASURE FROM THE EMPEROR OF JAPAN", was jointly offered by Senators Ushijima, Hara, Henderson, Yamasaki, Taira, Takitani, Toyofuku, R. Wong, Yim, Hulten, Nishimura, Chong, Young, Soares, Kawasaki, Kuroda, O'Connor, Leopold, Ching, King, George, Anderson and Saiki.

On motion by Senator Hara, seconded by Senator Henderson and carried, S.R. No. 212 was adopted.

At 11:40 o'clock a.m., the Senate stood in recess subject to the call of the Chair.

The Senate reconvened at 11:46 o'clock a.m.

STANDING COMMITTEE REPORTS

Senator Yamasaki, for the Committee on Legislative Management, presented a report (Stand. Com. Rep. No. 84-78), informing the Senate that Senate Concurrent Resolution No. 55, Senate Resolution Nos. 205 to 209 and Standing Committee Report Nos. 83-78 and 85-78 to 88-78 have been printed and are ready for distribution.

On motion by Senator Yamasaki, seconded by Senator Henderson and carried, the report of the Committee was adopted.

Senator Hulten, for the Committee on Intergovernmental Relations, presented a report (Stand. Com. Rep. No. 85-78), recommending that Senate Bill No. 36 pass First Reading by title and be recommitted to the Committee on Intergovernmental Relations.

On motion by Senator Hulten, seconded

by Senator Kawasaki and carried, the report of the Committee was adopted and S.B. No. 36, entitled: "A BILL FOR AN ACT RELATING TO INTERGOVERNMENTAL TRANSFER OF EMPLOYEES", passed First Reading by title and was recommitted to the Committee on Intergovernmental Relations.

Senator Hulten, for the Committee on Intergovernmental Relations, presented a report (Stand. Com. Rep. No. 86-78), recommending that Senate Bill Nos. 191, 512 and 1745-78 pass First Reading by title and be recommitted to the Committee on Intergovernmental Relations.

On motion by Senator Hulten, seconded by Senator Kawasaki and carried, the report of the Committee was adopted and,

S.B. No. 191, entitled: "A BILL FOR AN ACT RELATING TO STATE AND COUNTY GOVERNMENTS";

S.B. No. 512, entitled: "A BILL FOR AN ACT RELATING TO INTERGOVERNMENTAL RELATIONS"; and

S.B. No. 1745-78, entitled: "A BILL FOR AN ACT RELATING TO THE COUNTY OF HAWAII",

passed First Reading by title and were recommitted to the Committee on Intergovernmental Relations.

Senator R. Wong, for the Committee on Ways and Means, presented a report (Stand. Com. Rep. No. 87-78), recommending that Senate Bill No. 1623-78 pass Second Reading and be placed on the calendar for Third Reading.

On motion by Senator R. Wong, seconded by Senator Yamasaki and carried, the report of the Committee was adopted and S.B. No. 1623-78, entitled: "A BILL FOR AN ACT RELATING TO GENERAL AND SPECIAL FUND REALIZATIONS", passed Second Reading and was placed on the calendar for Third Reading on Tuesday, February 21, 1978.

In accordance with Article III, Section 16, of the Constitution of the State of Hawaii, the 24-hour notice was given on S.B. No. 1623-78.

Senator R. Wong, for the Committee on Ways and Means, presented a report (Stand. Com. Rep. No. 88-78), recommending that Senate Bill No. 1664-78, as amended in S.D. 1,

pass Second Reading and be placed on the calendar for Third Reading.

On motion by Senator R. Wong, seconded by Senator Yamasaki and carried, the report of the Committee was adopted and S.B. No. 1664-78, S.D. 1, entitled: "A BILL FOR AN ACT RELATING TO THE CONFIDENTIALITY OF TAX RETURNS AND INFORMATION IN TAX RETURNS", passed Second Reading and was placed on the calendar for Third Reading on Tuesday, February 21, 1978.

In accordance with Article III, Section 16, of the Constitution of the State of Hawaii, the 24-hour notice was given on S.B. No. 1664-78, S.D. 1.

ORDER OF THE DAY

THIRD READING

Senate Bill No. 2200-78:

Senator R. Wong moved that S.B. No. 2200-78, having been read throughout, pass Third Reading, seconded by Senator Yamasaki.

Senator R. Wong then spoke for the passage of the measure as follows:

"Mr. President, I rise to speak in favor of this bill.

Senate Bill No. 2200-78 simplifies and more closely conforms the State Income Tax Law to the Federal Internal Revenue Code.

This bill represents the culmination of some three years of support and effort on the part of the Legislature. Working together with the Legislative Reference Bureau, the State Department of Taxation, the Tax Foundation of Hawaii and the Chamber of Commerce of Hawaii over the past three years, we have made tremendous progress. Major conformance legislation was passed last year--notably Act 47.

This has been a matter of great satisfaction to me as Chairman of the Ways and Means Committee because of the support and encouragement given towards greater conformance on the part of all the Committee members, both Democrat and Republican.

Senate Bill No. 2200-78 now before us raises the degree of conformance even further and makes the State Law more current with Federal Law, as of December 31, 1977. This bill is the direct result of Senate Concurrent Resolution No. 161, adopted last year, requesting the Legislative Reference Bureau and the Tax Department to review the State Income Tax Law and

to submit recommendations for closer Federal conformance.

Passage of this bill will further the efforts of the Legislature to reduce government red tape and make it easier for businesses to operate in Hawaii. Since 1975, Mr. President, under your leadership, this has been a major topic of concern on the part of the Senate, one shared by all members, majority and minority alike. This bill represents a major step forward in addressing this concern about the red tape problem.

I should note that this bill has the support of both the State and the private sector. In our hearing yesterday on this bill, favorable testimony was received from the Tax Foundation, the Chamber of Commerce, the National Federation of Independent Business and the real estate investment trust industry. No one spoke against the bill. This is one of the rare instances, Mr. President, of the enthusiastic unanimity on the part of all parties concerned with respect to a bill of such far-reaching impact and great complexity.

The revenue impact of this bill is difficult to assess. The Tax Department has been working on this question. However, the consensus among the expert authorities is that it will result in a modest revenue gain to the State.

Mr. President, I would be remiss if I did not acknowledge the tremendous contribution made by the many individuals from government and from the private sector who worked many long hours in the preparation of this bill. Without their help, this bill would not have been possible. In particular, Mr. President, I would like to thank Lowell Kalapa from the Tax Foundation, Elliott Brilliant from the Chamber of Commerce, Dale Chikuami, formerly on the Ways and Means Staff, Tomotaru Ogai from the Tax Department, and especially Richard Kahle from the Legislative Reference Bureau.

Mr. President, I urge the members of the Senate to vote unanimously in favor of this bill.

Thank you very much, Mr. President."

Senator Kawasaki then stated as follows:

"Mr. President, I am going to vote in favor of this bill but with certain reservations.

I think a carte blanche approval of major changes in our State tax laws may be something we may regret in the future.

The only reason there was no particular vocal opposition to the enactment of this bill is because most people don't understand the voluminous nature of this bill.

I would like to have seen a change of our local State tax laws, section by section, and conformance with the Internal Revenue Code. I would not like to realize later that perhaps our State laws were a little more liberal, particularly with regard to the taxing of our middle income group of citizens. I think that today the middle income group foots the bill in this country and in our State.

The low income groups are given all kinds of benefits that we have enacted over the years, social legislation that benefitted them; and the wealthy doesn't matter as they have the financial means, but I think it is the middle income group of taxpayers that we should be particularly careful about.

Thank you, Mr. President."

At 11:55 o'clock a.m., the Senate stood in recess subject to the call of the Chair.

The Senate reconvened at 11:57 o'clock a.m.

The motion was put by the Chair and carried, and S.B. No. 2200-78, entitled: "A BILL FOR AN ACT RELATING TO TAXATION", having been read throughout, passed Third Reading on the following showing of Ayes and Noes:

Ayes, 23. Noes, none. Excused, 2 (F. Wong and Yee).

ADJOURNMENT

At 12:01 o'clock p.m., on motion by Senator Taira, seconded by Senator Yee and carried, the Senate adjourned until 11:30 o'clock a.m., Tuesday, February 21, 1978.