

SB 32

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SENATE COMMITTEE ON WAYS & MEANS

WRITTEN POSITION STATEMENT REGARDING COMMITTEE DECISION MAKING

February 26, 2009

Dear Chair Kim:

Please find attached the Department of Taxation's summary position statement relating to the Senate bills being heard by your Committee on February 26, 2009. As a decision making hearing, the Department provides you and your Committee with the attached spreadsheet that includes the following information for efficient review of its positions:

- **Bill Number**
- **Bill Title**
- **Position**
- **Comments**
- **Revenue Impact**
- **Methodology**

The Department hopes that this information is useful to you, your Committee members, and your staff. Please feel free to contact me directly at 587-1513 if any additional questions arise.

Thank you for the opportunity to provide comments.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kurt Kawafuchi".

KURT KAWAFUCHI
Director of Taxation

Department of Taxation

Position Summary

Senate Committee on Ways & Means/February 26, 2009 Agenda

Bill Number	Bill Title "Relating to..."	Position	Comments	Revenue Impact	Methodology
SB 1299 SD 1	ADVANCED FLIGHT SIMULATOR TRAINING	Opposed to revenue loss	No technical comments.	Assuming a current effective date: *\$400,000 FY10 *\$1.2 m FY 11 *\$400,000 FY 12 *\$275,000 FY 13 thereafter	It is estimated that the construction of facilities for the aviation training would cost \$50 million over three years, with \$10 million being incurred in the first and third years and \$30 million being incurred in the second year. In the fourth year and thereafter, the facility is assumed to generate \$5 million in gross receipts and to increase the enterprise zone tax credit by 5%. GET is foregone at the rate of 4% on the construction costs and on the gross receipts from the training facility.
SB 427	GENERAL EXCISE TAX	No comments	No technical comments.	Cannot provide due to taxpayer specific information.	Please discuss the revenue impact directly with the proponents of this measure.
SB 528 SD 1	TOBACCO	Support	No technical comments.	Loss of the retail tobacco permit enforcement function could result in a revenue loss of \$5.3 million per year.	Revenue loss is based on the assumption that 5% of the revenue might be lost due to lower level of compliance.

SB 1678 SD 1	TAXATION	No position; however acknowledge the potential revenue gain	No technical comments.	The bill will have little revenue impact, unless Congress enacts required legislation. However, the expense of the oversight committee would be incurred. If the required Congressional legislation is enacted, the effect on revenues is indeterminate, but it could be \$25 million annually in additional GET and Use Tax collections. Without the federal legislation, the revenue gain is estimated to be \$1-\$5 million. The exemption for blind, deaf, and disabled taxpayers would cost about \$500 thousand annually.	William Fox has estimated that e-commerce cost Hawaii between \$113 million and \$117 million in 2003. This number may be too large. First, Hawaii has an income tax credit for the general excise tax (GET) on capital investments made by business, so companies have little incentive to avoid the GET on investment property. Secondly, it is hard for individuals to avoid the tax on big-ticket items, such as automobiles.
SB 32 SD 1	FUEL	Opposed to revenue loss	No technical comments.	Assuming a current effective date, annual revenue loss is estimated at \$40.0 million for FY 2010 and after.	The cost of the GET exemptions for alcohol fuels has been estimated to be \$40 million annually. Sales of gasoline in CY08 is estimated to be 445 million gallons. Assuming that this figure applies in future, that 100% contains alcohol, and that the price net of all taxes is \$2.25 per gallon, the GET exemption would cost \$40 million annually (=445 million x 1.00 X \$2.25 x .04)