LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

KURT KAWAFUCHI
DIRECTOR OF TAXATION

STANLEY SHIRAKI
DEPUTY DIRECTOR

STATE OF HAWAII
**DEPARTMENT OF TAXATION**
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

# HOUSE COMMITTEE ON FINANCE
# TESTIMONY REGARDING HB 2853
# RELATING TO THE PUBLIC SERVICE COMPANY TAX

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**
**DATE: FEBRUARY 17, 2010**
**TIME: 1:30PM**
**ROOM: 308**

---

This measure temporarily increases the state portion of the public service company tax from July 1, 2010 until June 30, 2015.

The Department of Taxation (Department) **opposes the tax increase** contained in this measure and recommends that this measure be held.

**A TAX INCREASE**—The Department opposes this tax increase. The Department does not support tax increases, especially increases that will simply increase the costs to consumers at a time when taxpayers cannot afford such increases.

**REVENUE IMPACT** – This bill would increase general fund revenues by approximately $31.5 million per year from fiscal year 2011 until fiscal year 2015.

Testimony before the
House Committee on
Finance

H. B. 2853- Relating to the Public Service Company Tax
Wednesday, February 17, 2010
1:30 p.m., Conference Room 308

By Patsy Nanbu
Hawaiian Electric Company, Inc.

Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Patsy Nanbu and I am testifying on behalf of Hawaiian Electric Company, Inc., and its subsidiaries, Maui Electric Company and Hawaii Electric Light Company, Inc.

HB 2853 proposes to temporarily increase the public service company ("PSC") tax applicable to public utilities by one percent, effective July 1, 2010 and ending June 30, 2015.

Hawaiian Electric respectfully opposes HB 2853.

Currently, the PSC tax is imposed, in pertinent part, on electric utility revenues, in lieu of the general excise and other miscellaneous taxes, as a means of taxing the property of utilities. The tax is imposed at a combined rate starting at 5.885% and topping off at 8.2%, depending on the individual utility's ratio of net income to gross income. The state's portion is 4% and the counties' portion is the excess over 4%. HB 2853 would temporarily increase the state's portion to 5%.

This proposed increase would be on top of other revenue taxes already imposed, including the 2.5% county franchise royalty tax and the 0.5% PUC fee. If HB 2853 is enacted, the revenue tax rate would increase by 1% and the aggregated tax rate would approach 10%. These revenue taxes would essentially account for 10% of your electric bill.

Hawaiian Electric and its subsidiaries paid in excess of $230 million in revenue taxes to the state in 2009. The additional 1% could potentially layer another $25 million onto our cost for providing electric service. Electricity is a necessity of modern living, and any tax increase imbedded in our cost becomes a hidden regressive tax, hurting the lower income consumer the most.

We do not believe this is the intent of the legislature. Although this 1% increase is proposed to be in effect for a limited five year period, Hawaii consumers can ill-afford this additional cost in these tough economic times.

For the foregoing reasons, Hawaiian Electric opposes HB 2853.

Thank you for this opportunity to testify.