TESTIMONY OF THE DEPARTMENT OF THE ATTORNEY GENERAL TWENTY-FIFTH LEGISLATURE, 2010

ON THE FOLLOWING MEASURE:
H.B. NO. 2876, RELATING TO TAXATION.

BEFORE THE:
HOUSE COMMITTEE ON FINANCE

DATE: Wednesday, February 17, 2010 **TIME:** 4:30 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Mark J. Bennett, Attorney General, or
Mary Bahng Yokota, Deputy Attorney General

Chair Oshiro and Members of the Committee:

The Department of the Attorney General provides these comments regarding legal problems in this bill.

Section 1 of the bill expressly sets forth the purpose of the bill as follows:

> SECTION 1. The purpose of this Act is to temporarily increase:
> (1) From July 1, 2010, to June 30, 2015, the general excise and use tax rates from four per cent to five per cent. This Act does not affect the county surcharge imposed for a transit system;
> (2) *For calendar years beginning after December 31, 2010, to December 31, 2015*, the capital goods excise tax credit from four per cent to five per cent; and
> (3) *For calendar years beginning after December 31, 2010, to December 31, 2015*, the refundable food/excise tax credit by $10 per exemption. [Emphases added.]

The effective and repeal dates for the temporary increase of the capital goods excise tax credit and the refundable food/excise tax credit, as set forth in section 1 of the bill, do not all appear to be consistent with section 11 of the bill, which provides:

> SECTION 11. This Act shall *take effect on July 1, 2010*, and shall be *repealed on June 30, 2015*;

> provided that sections 235-55.85, 235-110.7, 237-13, 237-15, 237-16.5, 237-18, 238-2, and 238-2.3, Hawaii Revised Statutes, shall be reenacted in the form in which they existed on the day before the effective date of this Act. [Emphases added.]

According to section 1 of the bill, it appears that the increased capital goods excise tax credit and the refundable food/excise tax credit was intended to apply to calendar years beginning after December 31, 2010, to December 31, 2015. Section 11 of the bill, however, provides that the "Act" in its entirety is effective on July 1, 2010, and is repealed on June 30, 2015. (Section 3 of the bill amends section 235-110.7, Hawaii Revised Statutes, by expressly increasing the capital goods excise tax credit for calendar years beginning after December 31, 2010, to December 31, 2015. If, however, the Act itself is repealed on June 30, 2015, these amendments in section 235-110.7, Hawaii Revised Statutes, would also be repealed on June 30, 2015.)

We respectfully recommend that the intent of the bill be clarified by making all of the effective and repeal dates for the temporary increase of the capital goods excise tax credit and the refundable food/excise tax credit consistent throughout the bill.

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

AFSCME LOCAL 152, AFL-CIO

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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 17, 2010

<u>H.B. 2876 – RELATING TO TAXATION</u>

The Hawaii Government Employees Association strongly supports the purpose and intent of H.B. 2598. It proposes to temporarily increase the general excise and use tax from 4% to 5% along with the capital goods excise tax credit. At the same time it would increase the refundable food/excise tax credit by $10 per exemption. Considering the size of the state's budget deficit, a balanced approach that includes tax increases is necessary to preserve essential state services in areas ranging from education to health and social welfare.

During an economic downturn, revenue generation is far preferable to deep cuts, as it allows states to provide funding for essential programs, get money into the economy, and help vulnerable populations who are struggling. A state budget that relies too heavily on cuts will not only force additional layoffs of state employees, but will also cut off funding for crucial services thereby reducing spending and generating fewer dollars in the private sector.

A recent report by the Economic Opportunity Institute found that every dollar of state spending generates about $1.41 of economic activity. Much of that spending, 88 cents for every dollar or 62%, benefits the private sector. Cutting state spending means fewer purchases from suppliers, reduced contracts with service providers, less money from public and private employee paychecks circulating through local businesses; and, of course, fewer public services. If new revenues are not generated, further cuts will continue a cycle of job layoffs by states, lower spending on crucial programs, diminished economic growth and further budget cuts.

Instead of compounding job losses, the Legislature can act to protect and create jobs during the 2010 session. Priorities to create jobs and build a strong foundation for future prosperity and opportunity include maintaining and restoring public services through targeted and temporary revenue increases. The best choice for both short-term stimulus and long-term stability is to target tax increases and expand the tax base. The

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general excise tax is a very efficient means of generating revenue and a sizeable portion of the tax is paid by visitors.

Thank you for the opportunity to testify in support of H.B. 2876.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, USE, Increase rate

BILL NUMBER: HB 2876

INTRODUCED BY: Say

BRIEF SUMMARY: Amends HRS sections 237-13(2), (3), (4), (5), (6) and (9), 237-15, 237-16.5, 237-18, 238-2, 238-2.3 to increase the general excise and use tax rate from 4% to 5% from 7/1/10 to 6/30/15.

Amends HRS section 235-55.85 to increase the food/excise tax credit by $10.

Amends HRS section 235-110.7 to increase the capital good excise tax credit to 5% between 1/1/11 and 12/31/15.

The amendments made to HRS sections 235-55.85, 235-110.7, 237-13, 237-15, 237-16.5, 237-18, 238-2, and 238-2.3, shall be reenacted in the form in which they existed on the day before the effective date of this act.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: This measure proposes to increase the general excise tax from 4% to 5% on certain transactions between July 1, 2010 to June 30, 2015. The measure also increases the food/excise tax credit by $10 for all income categories. Of all the taxes to propose raising, the general excise is the worst insofar as imposing a heavier burden on lower-income persons than those with substantial means. Any transaction tax is considered regressive as the tax is not based on the taxpayers' ability to pay. While some acknowledge that sales taxes place a heavier tax burden on low-income households than on middle or upper-income households, they maintain that exempting necessities such as food, or including low-income tax credits through the income tax, are sufficient to address the problem.

Analysis of transaction taxes like the general excise or sales tax indicates that it is difficult to offset the regressive impacts of a sales tax. Exempting food sales and other necessities makes a sales tax less regressive, but only to a small degree. Most of the state and local tax systems that place the highest tax burden on low-income households have sales taxes that exempt sales of food and other necessities, such as prescription drugs. Even an increase in the food/excise tax credit is not enough as lawmakers should remember that this is a gross receipts tax and not a retail sales tax. The major difference is that the general excise tax is imposed on all transaction and not just on those at retail or final consumption and it is imposed on services as well as goods whereas the retail sales tax is generally imposed only on goods. Finally, because goods and services are consumed by businesses, the cost of the tax has to be recovered by an increase in the selling prices of the good or services sold by the business. Thus, the impact of a 1% rate increase will be substantially greater than the nominal one percent of the rate. In fact, when suggestions are made for Hawaii to adopt a retail sales tax instead of the general excise tax, it is estimated that such a tax structure would need a rate of 11% to generate the same amount of revenue that the 4% general excise tax rate currently generates. That would make a Hawaii retail sales tax rate THE highest rate in the nation.

It should be noted that when the general excise tax rate was last increased across the state in 1965 rising from 3.5% to 4.0%, observers estimated that it would generate a little more than the rate increase represented of 14% and that there would, in fact, be an increase on the order of 17%. Instead, tax receipts from the tax generate more than twice that amount in new revenues, again because of its pyramiding characteristic. Thus, to raise the general excise tax rate, especially in this economy, could have a devastating impact on Hawaii's economic recovery.

It should be remembered that there is money to be had but, unfortunately, much of this money is tied up or designated for specific programs or activities in special funds. This situation is largely the work of past lawmakers who thought it was prudent to provide certain favorite programs their own resources by earmarking sources of revenue for that particular program and setting the receipt of that resource off into a special fund. It is not that special funds are all that bad, but over the years the number of funds has proliferated as lawmakers took pet programs under wing and provided those programs with earmarked revenues. When Hawaii became a state more than 50 years ago, there were only three special funds - all in the area of transportation - the highway fund, the airport fund, and the harbor fund. These were established largely because the users of the facilities financed by the moneys in these funds paid the fees and taxes that went into these special funds. In many cases these transportation funds are kept separate from the state's general funds because the fees and taxes deposited into these funds are used to match federal subsidies for these transportation activities.

However, over the years many of the numerous special funds are now financed with resources that were formerly receipts of the general fund. For example, the fees from the issuance of marriage licenses used to be entirely deposited in the state general fund. Nearly 20 years ago, some lawmaker got the idea that somehow there was a connection between getting married and the domestic violence problem in our community. So one half of the proceeds from the marriage license fees was earmarked for domestic violence programs. When it was discovered that the proceeds were insufficient to fund all domestic violence programs, the license fee was raised by the next session of the legislature. Because the applicants for the license receive no direct benefit from those domestic violence programs, one has to question the legitimacy of that arrangement. The drawback of creating these special funds with totally irrelevant earmarked revenues is that the favored program usually does not undergo the kind of close scrutiny that general-fund financed programs do. Why pay any attention to those special-fund financed programs as the money in those special funds can only be used for the designated purpose? Thus, lawmakers don't know how effective the programs are and whether or not there is sufficient funding or perhaps more than sufficient funding.

Over the years, the slice of the state's operating budget pie financed through special funds other than the transportation special funds has grown steadily, rising from 11.7% of the operating budget in the 1995-1997 fiscal biennium to more than 17% for the fiscal biennium that ended just this past June. That 17% translates into just over $3.6 billion, more than twice the estimated shortfall for the current biennial budget. Lawmakers should consider putting all of that money on the table for discussion. For those special fund financed programs that are financed with resources that do not provide the people paying the fees or taxes with a clear service in return, these programs should be folded back into the general fund and the proceeds from the fees or taxes put back into the general fund. Then lawmakers should set priorities for spending among all programs. Lawmakers may just find that some of those programs are really not of high priority, especially when there is not enough money to fund all programs.

A tax increase of any magnitude in this fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs soar and overhead increases, employers will have to find ways to stay in business by either increasing prices to their customers or cut back on costs. Given the tenuous condition of the marketplace, many businesses will have to resort to the latter and reduce overhead costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or in the worst-case scenario, laying off workers. A tax increase at this time would send most companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

Digested 2/16/10

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February 16, 2010

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 2876 Relating to Taxation

HEARING: Wednesday, February 17, 2010 at 4:30 p.m.

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

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,800 members in Hawai'i. HAR **strongly opposes** H.B. 2876 to the extent it increases the General Excise Tax (GET) and Use Tax by 1% for 5 years.

Hawai'i businesses are struggling to stay afloat in this economic crisis – they are struggling to keep up with operating expenses and the costs of doing business in Hawai'i. These businesses may be particularly sensitive to additional burdens that may break a business already struggling to survive. Similarly, Hawai'i homeowners face many challenges, including those who have lost their jobs and must still maintain their mortgage payments.

HAR believes that a GET increase will financially burden companies and residents to a point they cannot sustain at this time. An increase to the GET may further hurt businesses and residents in the long run and further destabilize Hawai'i's economy.

HAR understands the States' fiscal situation and the need to balance the needs of our constituencies. However, HAR believes that increases in taxes, especially the GET, will ultimately hinder our State's economic recovery.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.

The Chamber of Commerce of Hawaii
The Voice of Business in Hawaii

Testimony to the House Committee on Finance
Wednesday, February 17, 2010
4:30 p.m.
Conference Room 308
Agenda #4

RE: HOUSE BILL NO. 2876 RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber does not support HB 2876 in its current form.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

House Bill 2876 is a tax bill that temporarily increases the general excise and use tax rates from 4% to 5%, the capital goods excise tax credit rate from 4% to 5%, and the refundable food/excise tax credit by $10 per exemption.

While we understand the intent of this measure and the urgency to find a solution to address the current fiscal status of the State's budget, the Chamber does not support an increase in the General Excise Tax.

Businesses are already struggling to stay afloat and trying their best in continuing to provide benefits to their employees and avoiding job cuts during these tough economic times. Merely keeping up with operating expenses is difficult, especially for small businesses. Therefore, a tax increase will become an additional cost imposed on companies that they cannot afford to undertake at this time.

The priorities should be to save and create jobs and to revitalize the economy. We recognize that during these tough times, we need to remain steadfast in our search for a workable solution. Raising the GET, we believe, is not the appropriate solution.

Thank you for the opportunity to provide testimony.

Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair
Committee on Finance

HEARING Wednesday, February 17, 2010
4:30 pm
Conference Room 308
State Capitol, Honolulu, Hawaii 96813

RE: HB2876, Relating to Taxation

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

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to the support of the retail industry and business in general in Hawaii.

RMH strongly opposes HB2876, which temporarily increases the general excise and use tax rates from 4% to 5%, the capital goods excise tax credit rate from 4% to 5%, and the refundable food/excise tax credit by $10 per exemption, effective between July 1, 2010 and June 30, 2015.

This 25% increase in the general excise tax will have an immediate and devastating effect on our residents and on our businesses, and will further delay our economic recovery.

Consumerism is two-thirds of the gross state product. The one inevitable result of a recession is the loss of jobs, as evidenced by our increased unemployment rate. Layoffs, furloughs, and wage reductions have left us all with fewer dollars in our pocketbooks. Increasing our tax burden will further increase our cost of living and decrease our buying power.

The direct impact on business is a higher cost of doing business: business pays 4% general excise tax on all products and services needed to operate successfully. Increased costs at this level result in increased operating costs. These are and must be factored into the selling prices of goods and services to the ultimate customer.

As consumers, we all will pay more for the goods we need in our everyday lives. Inevitably, these costs will impact those in our society with the fewest resources.

We urge you to hold HB2876. Thank you for your consideration and for the opportunity to testify on this measure.

Carol Pregill

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII
1240 Ala Moana Boulevard, Suite 215
Honolulu, HI 96814
ph: 808-592-4200 / fax: 808-592-4202

NFIB
The Voice of Small Business®

Before the House Committee on Finance

DATE: February 17, 2010

TIME: 4:30 p.m.

PLACE: Conference Room 308

Re: HB 2876 Relating to Taxation

Thank you for the opportunity to submit our testimony in opposition to SB 2876 Relating to Taxation.

We oppose HB 2876 which seeks to temporarily increase the general excise and use tax rates from 4% to 5%, the capital goods excise tax credit rate from 4% to 5%, and the refundable food/excise tax credit by $10 per exemption and will take effect on July 1, 2010 and be repealed on June 30, 2015. In light of the current challenging economic times, we believe such legislation will result in adverse effects for employers and employees.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents 1,200 members and works with and on behalf of employers across the state.

HAWAII ALLIANCE FOR RETIRED AMERICANS (HARA)
AN AFFILIATE OF THE ALLIANCE FOR RETIRED AMERICANS
C/O AFSCME, 888 MILILANI STREET, SUITE 101
HONOLULU, HAWAII 96813

TO: HOUSE-Committee on Finance

February 15, 2010
Fax 5866001

FROM: Bruce McCullough
HARA Legislative Committee, Chair

FOR: Committee on Finance
Rep Marcus R. Oshiro, Chair
Rep Marilyn B Lee Vice Chair

RE: HB 2876 Relating To Taxation

DATE: Wednesday, February 17,2010

TIME: 4 PM

PLACE: RM 308

I am submitting testimony on behalf of the Hawaii Alliance for Retired Americans (HARA). HARA represents over 21,000 retirees, members of numerous organizations and individuals. HARA is a chapter of the Alliance of Retired Americans (ARA), a national advocate for seniors and retirees with over three (3) million members.

HARA IS IN STRONG SUPPORT OF THIS PROPOSED LEGISLATION

This bill will allow our State to, make a serious dent in our States deficit, thereby, helping social services (like Kupuna care) to be funded at a level above the safety net.

TO : COMMITTEE ON FINANCE
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice chair

FROM: Eldon L. Wegner, Ph.D.
Policy Advisory Board for Elder Affairs (PABEA)

HB 2876 RELATING TO TAXATION

4:30 pm Wednesday, February 17, 2010
Conference Room 308, Hawaii State Capitol

PABEA supports passage of HB 2876.

for Elder Affairs has a statutory obligation to advocate on behalf of the senior citizens of Hawaii. While we advise the Executive Office on Aging, we do not speak on behalf of the Executive Office of Aging.

During this time of economic crisis and revenue shortfalls for our state government, we need to find alternative revenue in a way that assures that everyone shares in the cost rather than to further cut the programs and services needed by our most vulnerable populations.

$ We support at least a temporary increase in some tax rates in order to assure that the fiscal burden is shared by those most able to afford more taxes.

Thank you for allowing me to testify.

Ronald I. Heller
700 Bishop Street, Suite 1500
Honolulu, Hawaii 96813

phone 808 523 6000 fax 808 523 6001
rheller@torkildson.com

TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE

Re: House Bill 2876

Wednesday, February 17, 2010 at 4:30 pm
State Capitol, Conference Room 308

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

Thank you for the opportunity to testify. My name is Ronald Heller. I am a practicing attorney, and also licensed as a Certified Public Accountant. I oppose House Bill 2876.

This bill proposes to add one percentage point to the 4% general excise tax rate. With a rate of "only four percent," some people say, we are well below most other states in terms of sales tax. That comparison is misleading, however, because it's an apples-to-oranges comparison – our Hawaii general excise tax is very different from the typical sales tax found in other states.

In most states, the sales tax covers only the final retail sale of goods – it does not apply at the wholesale level, nor does it apply to services, rents, interest, or other forms of income. In contrast, the Hawaii general excise tax applies, in the words of the Hawaii Supreme Court, to "virtually every economic activity imaginable." Unlike the typical mainland sales tax, our GE tax <u>does</u> apply at the wholesale level, <u>does</u> apply to services, and <u>does</u> apply to rents, interest, commissions, and other forms of income.

Our 4% rate may appear low, but a big chunk of the tax burden is hidden in the final prices of goods and services. For example, suppose you buy a loaf of bread for $3.00. The store adds 4% tax and charges you $3.12, so the "visible" tax is twelve cents. In reality, however, the

State is collecting a lot more than that. The $3.00 price covers the store's costs, which include the GE tax added on by the bakery when the store bought the bread at wholesale, the GE tax added on by the landlord when the store paid its rent, the GE tax added on by the seller when the store bought its shelves and display cases, and the GE tax paid by the store to a number of service providers, ranging from repair and building maintenance to accounting services. When you add it all up, the State is eventually going to end up with a lot more than twelve cents out of the $3.12 you paid.

In fact, our "four percent" GE tax is equivalent to approximately an 11% sales tax – if we actually had a sales tax that worked like the typical mainland sales tax, the rate would have to be about 11% in order to generate the same tax revenue that our GE tax produces now. (This is based on a study done for the 2005-2007 Tax Review Commission of the State of Hawaii.) If you compare apples to apples – instead of apples to oranges – then we effectively already have an 11% sales tax (and that's before considering the extra half percent on Oahu). **A "one percentage point" increase could put us at the equivalent of about a fourteen to fifteen percent sales tax rate, measured on an apples-to-apples basis.**

To put this in perspective, if we compare sales and excise taxes across all 50 states, on a dollars-per-capita basis Hawaii is number two (based on US Census Bureau statistics from 2005, before the rate on Oahu went from 4.0% to 4.5%) – second highest out of all 50 states. The only state ahead of us was Washington State, where they have no state income tax.

Looking at our total tax burden, instead of just focusing on the general excise tax, doesn't make the picture look any better. We have the highest personal income tax rate in the country, relatively high corporate income tax rates, and a substantial hotel room tax. Overall, considering all state taxes, we are still in second place among all 50 states in terms of dollars per capita --

second highest among all 50 states whether we look at just sales and excise taxes, or all state taxes combined. (This is also based on US Census Bureau statistics.)

Some people may say that we have relatively low county taxes, and that focusing only on state-level taxes is unfair. Even if you look at state and county taxes combined, however, we are still near the top. Measured in dollars per capita, we are number two in state-level taxes. If you look at state and county taxes combined, we drop to seventh place – still seventh highest of all 50 states. (Based on Tax Foundation data published on CNN/Money.com)

The fact is that Hawaii is already a high-tax state. There are different ways to look at the statistics: dollars per capita, percentage of total personal income paid in taxes, percentage of gross state product, etc., but no matter which approach you use, our state taxes already put us very near the top among all 50 states. Anyone who says our taxes are low compared with other states is just ignoring the facts.

Raising already-high taxes would hurt our economy and result in the loss of jobs. Increasing the general excise tax is particularly dangerous, because it is a tax on gross receipts, not net income. A business that is making little or no profit pays little or no income tax. In contrast, the general excise tax is imposed on every dollar the business takes in, even if there is no net profit. Therefore, **if we increase the general excise tax, even businesses that are losing money, and struggling to keep their doors open, would have to pay substantially higher taxes.** Businesses that are barely surviving now – and there are a lot of them in Hawaii – may be pushed over the edge into bankruptcy.

In addition, the GE tax is regressive, with a proportionately higher burden on lower-income individuals and families. When a family spends all of its income to pay rent or buy necessities such as food and clothing, the general excise tax applies to all of that spending. If a family can afford to save some of its income, and not spend all of it, there is no immediate general excise tax on the portion that goes into savings. Thus, poor families pay a larger percentage of their total income in general excise tax than rich families do. Increasing the tax would magnify this effect.

Last but not least, the idea that we can "export" part of the tax burden by collecting more general excise tax from tourists is a myth. Although tourists pay taxes, those taxes are part of the total cost of Hawaii as a destination. If we increase the price of a visit to Hawaii, that will inevitably affect our ability to attract visitors. There is no free lunch – we can't solve our problems by asking people from the rest of the world to come here and pay more. They will simply choose some other destination instead (or stay home), hurting our economy even further.

We need to stimulate economic growth and create jobs in Hawaii. An increase in the general excise tax would do just the opposite – it would force many small businesses to cut back, lay off employees, or even close their doors.

Respectfully submitted,

Ronald I. Heller

Representative Marcus Oshiro - Chair
Representative Maryilyn B. Lee – Vice Chair
House Committee on Finance

Winton G. Schoneman, 486-9269 (H)

Wednesday; February 17, 2010

In opposition to House Bill 2876 – Relating to Temporary Increase in General Excise Tax

Distinguished members of the House Finance Committee, I come before you to offer testimony in opposition to House Bill 2876 – to raise the General Excise Tax for a finite period of time. I am a small business owner in Hawaii Kai and have absorbed increases in rent, utilities approved by the PUC and am in line to absorb an increase in the minimum wage. I cannot do more! We tend to think only in terms of retail expenditures when we talk of GET yet I will be asked to pay increased taxes on rent, utilities and contracted services. A quick calculation, based on last year's taxes, indicates that I will have to pay an additional $4000.00 - $5000.00 in GET. I am being overwhelmed by all the demands. I don't see how I can pass on or absorb the thousands of extra dollars I will have to pay. As a result of this recession, I have already seen an increase in empty store fronts in Hawaii Kai shopping centers. Am I going to be next?

I believe that all of us need to tighten our belts a little. Move forward slowly and give the recovery time. Business need time to recover. People need time to recover. We all need to learn to live within our means and that includes government.

In conclusion, I implore the members of the committee to defeat HB2 2876.

Thank you,

Winton Schoneman

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 17, 2010 12:00 AM
To: FINTestimony
Cc: karenkmuraoka@hotmail.com
Subject: Testimony for HB2876 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2876

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Karen Muraoka
Organization: Individual
Address: 3730 Kikee Road Kalaheo, HI
Phone: 8086517913
E-mail: karenkmuraoka@hotmail.com
Submitted on: 2/17/2010

Comments:
I am in support of raising the general excise and use tax in SB 2876. It is fair and the only non-discriminatory manner to help the State's economy—it taxes everyone equally. It does not matter what income level you are at or whether you work in the government or private sector. As a State employee who came from the private sector, balancing the State's budget is the responsibility of all Hawaii residents. State employees have already contributed with the furlough days and 2009 RIFs. It is time the rest of the people do their part to help. State agencies will be providing further contributions since Governor Lingle has called upon the Departments to reduce Hawaii's budget deficit by consolidating and streamlining operations, as well as by pursuing labor cost reductions.

Thank you!

FINTestimony

'rom:	mailinglist@capitol.hawaii.gov
ent:	Tuesday, February 16, 2010 6:01 PM
To:	FINTestimony
Cc:	thirr33@gmail.com
Subject:	Testimony for HB2876 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2876

Conference room: 308
Testifier position:
Testifier will be present: No
Submitted by: Arvid T. Youngquist
Organization: The Mestizo Associat;ion (Est. 1982)
Address: P O Box 37542 Honolulu, Hawaii
Phone: 808-587-2140
E-mail: thirr33@gmail.com
Submitted on: 2/16/2010

Comments:
Chair Rep. Marcus Oshiro
Vice Chair Rep. Marlyn Lee
Honorable Members of Hawaii State
House Finance Committee

I provide this brief testimony in support of HB 2876 which relates to raising temporarily the ET ax from 4% to 5%.

This will make it more feasible to address the provisions of SB2393 which deals with the restoration of the EUTF payment shares.

The public, I believe has become more than aware that marginalizing the public sector unions has been a time honored sport in politics both here as well as on the Mainland. Together with the rest of Hawaii, the public employees have shared in both the unemployment as well as decrease take home pay and increased premium payments.

Even the Governor for the past 7 years has been saying that a suspension of GET tax on groceries and Rx was in order. She and AARP for example worked out a plan to obtain Rx at reduced prices especially for seniors. However, that as well as the Federal Administration's efforts at Health Insurance Reform has been met with a fire wall of resistance for the past one (1) year!

Hawaii needs this temporary 1% increase in GET for the short term until the economy stabilizes. Unless this is done, the need for raiding the Special Funds will become even more pronounced this Session. Lobbyist for the environmental trust funds are also concerned at the attempt to "raid" the various revenue sources.

As clear cut, across the board change to the GET tax for a short duration will be more equitable and manageable in the short term until the Economy stabilizes and the State Revenue forecasts improve.

'hanks for this opportunity to provide written testimony.

Sincerely,

Arvid Tadao Youngquist

Founder & Chair, Steering Committee
The Mestizo Association (est. 1982 Fort Shafter)