EXECUTIVE CHAMBERS

HONOLULU

NEIL ABERCROMBIE
GOVERNOR

Testimony on HB 1092 Relating to Taxation

Governor Neil Abercrombie

HOUSE FINANCE COMMITTEE
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

February 25, 2011
1:30 p.m. Room 308

WRITTEN TESTIMONY ONLY

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

As Governor and as a former colleague, I am asking you that we keep all possible funding measures alive as the legislative session moves along. We neither need nor want what is taking place on the mainland regarding public workers, unfunded liabilities and health care costs. In other words, we must meet our responsibilities to fund our obligations without resorting to accusations and confrontation. Enclosed are recent news articles on these issues for your reference.

Since taking office, I have been meeting personally with hundreds of state employees and listening to their suggestions, proposed innovations and how we can make our government more effective and efficient.

Collective bargaining will be conducted out of mutual concern for the well-being of the people of our state and the ability of our government to meet basic public needs.

We can solve these problems and meet these challenges only if we keep the conversation going and our minds open. Let's keep working together for Hawaii's future.

Imua Hawaii.

UNDER THE SUN

Compromises need to be reached for Hawaii to avoid Wisconsin's fate

By Cynthia Oi

POSTED: 01:30 a.m. HST, Feb 24, 2011

A bit of whimsy ties Wisconsin and Egypt and it has to do with pizza.

News accounts give differing origins for the odd episode in which people from the north African nation called a pizza joint in the state's capital to donate pies to Wisconsinites protesting their governor's plan to pretty near eliminate collective bargaining for public employees.

Word spread via the Web and soon the pizza shop was fielding donation orders from a host of countries, including Finland, England, Australia, Italy, the Netherlands and Turkey -- as well as from almost all of the 50 states.

The gesture of solidarity by Egyptians, who through their own protests brought down a repressive government, and others around the world comes as public employees in America are being inordinately blamed for budget problems many states are experiencing.

In Wisconsin, Republican Gov. Scott Walker is inflating that blame to cover unions, insisting that collective bargaining for most government workers be limited to wages alone.

Even though employee unions have agreed to pay health benefits and other financial concessions, Walker and his GOP cohorts in the Senate want them busted.

Union-busting fever has now spread to Ohio, where a similar measure to end collective bargaining has been introduced. In Indiana, Democrats in the state House avoided legislative sessions to wait out a deadline for another bill to weaken bargaining rights.

But Wisconsin remains ground zero. Images of thousands of workers bundled up against the cold with law enforcement officers surrounding them flash across the Internet, drawing adversaries and sympathizers worldwide.

The issue isn't so much about money and budgets as it is about political dominance. The power of organized labor unions cannot be ignored. Though considerably diminished in recent years, their support can still make or break political campaigns. That said, the leverage of business and industry groups as well as the wealthy who run them is far greater in elections and in influencing policy.

In Wisconsin, with lines drawn so deeply in the sand, reasonable resolution may not be possible.

Which is why Gov. Neil Abercrombie's budget message this week should be heeded. The governor emphasized the need to get past individual ambition in working out a financial package most can live with, saying, "We do not want to end up mimicking what's going on on the mainland right now with dramatic confrontations of one kind or another."

Such conflicts beget animosity. Before Hawaii gets to that point, compromises need to be reached.

Op-Ed

A tipping point for labor in America

It may not be overstating the case to say that the future of organized labor as a whole may turn on the willingness of public sector unions to make statesmanlike, farsighted concessions now.

February 19, 2011 | Tim Rutten

The nonpartisan Pew Research Center for the People & the Press has released a fascinating poll that finds that people on the West Coast are far more likely to ɿrd their states' budget crises as "very serious" and are increasingly open to solving them through a combination of spending cuts and tax increases.

Those findings suggest that circumstances and popular attitudes may be turning in favor of Gov. Jerry Brown's proposals to close California's yawning shortfall with deep cuts in everything but primary education and prisons, along with an extension of existing tax surcharges. More than two-thirds — 68% — of Pew's respondents say they feel such a combination offers the best way out of the state's budgetary difficulties in an economy 77% judged to be in fair or poor shape. Fewer than 1 in 5 people — 19% — think cuts alone can do the job, while just 4% think simply raising taxes is the best approach.

The study also finds that public regard for organized labor generally is at a historic low and that discontent with public sector pensions and benefits is rising. In fact, when Pew asked respondents to rank their budget reduction preferences, the "pension plans of government employees" topped the list by 16 percentage points, ahead of cutting funding for colleges and universities and road and transportation expenditures, which tied for second, 10 percentage points ahead of cuts in healthcare.

Still, like Wisconsin, California is a state in which organized labor continues to enjoy a strong presence and broad support. But, if something like the current meltdown in Madison is to be avoided here, our public employee unions will have to accept rollbacks or find themselves increasingly marginalized.

It may not be overstating the case to say that the future of organized labor as a whole in the U.S. may turn on the willingness of public sector unions to make statesmanlike, farsighted concessions now. Here's why:

ɪconsin's new Republican governor, Scott Walker, has caught the attention of GOP deficit hawks across the country with legislation that proposes to strip ɹst of his state's public employee unions of their collective bargaining rights, opening the way to unilateral reductions in their pensions and benefits. The generally unremarked-on curiosity here is that Wisconsin's shortfall was created by Walker's aggressive tax cutting rather than the local economy. That hasn't dimmed other Republicans' admiration for Walker's union-bashing agenda. Similar bills already are pending in Tennessee and Ohio, with others moving toward introduction in Missouri, Iowa, Michigan, Indiana and New Hampshire.

Other findings from the Pew poll reveal why this brutal assault on the rights of public employees is so quickly gaining traction. The survey, conducted this month, found that Americans' view of unions was almost equally divided between favorable and unfavorable. In fact, more people — 40% — have an unfavorable opinion of public sector unions than they do of private sector unions — 37%. Overall, the public's regard for organized labor is approaching its pre-Depression low point.

Even so, Pew found, "most Americans think unions have helped to increase unionized employees' salary (53%) and to improve working conditions for all ·ericans (51%)." The sticking point, however, is that Americans think unions are just plain awful for business.

As the survey concludes: "Those results correlate to a stunning plunge in Americans' attitudes toward unions in just the last three years as the economy plummeted into recession. In 2007, Pew pegged support for unions at 58%. Three years later, it had fallen an astounding 17 points."

Public employee unions can't be faulted for negotiating the best deals possible for their members. Union officers, however, need to recognize that their members' defined pensions stand out in an era when most private workers have been pushed into the equities markets to fund their retirements, as one employer after another has replaced traditional pension plans with risky individual 401(k) plans.

This flight from social responsibility on the part of employers is a national disgrace and, most assuredly, not organized labor's fault. But that won't induce hard-pressed and unorganized working people, whatever the color of their collar, to support benefits for organized public employees they no longer can obtain for themselves.

If public employee unions in California and elsewhere dig in and refuse any concessions or rollbacks on pensions and benefits, the only result will be a further diminution of popular regard for organized labor, something the country can ill afford.

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Rising fuel prices could cramp economic recovery

Increases prompted by overseas turmoil have a ripple effect.

February 24, 2011 | By Alana Semuels and Ronald D. White, Los Angeles Times

Consumers are already seeing the fallout from turmoil in the Middle East and North Africa every time they fill their gas tanks. It's what they don't see that's the bigger worry for the U.S. economy.

From the farm to the factory, businesses are facing higher costs to grow the nation's food, ship goods and manufacture products at a time when they're already ous about hiring new employees or placing big orders. The added burden of sustained fuel price increases could slow the nation's already sluggish onomic growth, analysts said.

As the revolt in Libya escalated Wednesday, U.S. benchmark crude cracked $100 a barrel in futures trading before closing at $98.10. That was up $2.68 a barrel from the day before. And it's up about $13, or 15%, a barrel from one week ago.

"If it proves to be lasting, it could have a negative effect on the recovery," Jerry Nickelsburg, a UCLA economist, said of the rising price of oil.

Diesel is approaching $4 a gallon in California for the first time since October 2008 and the average price of a gallon of regular gasoline on Wednesday was up nearly a dime from last week, according to the AAA Fuel Gauge Report.

By some estimates, every penny increase at the pump sucks $1.5 billion from household spending nationwide.

"When the price of gasoline goes up, you have less to spend on everything else," said Bruce Bullock, executive director of the Maguire Energy Institute at Southern Methodist University. "When the price of diesel goes up, the cost of everything else you buy at Wal-Mart and Target goes up: your food, your clothing, everything."

Rising fuel prices are bedeviling farmers such as Joe Del Bosque. Drought has driven up irrigation costs for the Central Valley farmer over the last few years. was hoping that recent rains would bring some relief in 2011.

"Now we're being hit on the other side from the cost of fuel," said Del Bosque, owner of Empresas Del Bosque, which grows almonds, cantaloupe, cherries and other fruit on a farm in Firebaugh, Calif.

Rising fuel costs are increasing the cost of shipping to get cantaloupe to Del Bosque's customers. Add rising prices for fertilizer, which is made from petroleum, and Del Bosque said he and other farmers in the Central Valley would be forced to raise their prices. That has him worried that some stores will trim their cantaloupe orders for the busy summer season.

"We sell to chain stores on the East Coast, and if the trucking rates go up too high, they will start to buy less and less," he said. "They'll start to try to switch to other types of fruit."

pping companies such as UPS add fuel surcharges to their rates as the price of diesel rises. The UPS fuel surcharge is currently 6% on ground freight and on air freight. Those rates are slated to rise to 6.5% and 11%, respectively, on March 7.

That directly affects businesses such as Tianello, a Los Angeles maker of women's clothing that is already contending with rising costs of cotton fabric and other textiles.

"Every month UPS comes up with a new surcharge," said Steve Barazza, chief executive of Tianello. "We have to pass it right on to the customers."

Travelers will also feel the pain when they fly. Every dollar increase in the price of a barrel of oil costs the airlines $1.6 billion, said Giovanni Bisignani, director general and chief executive of the International Air Transport Assn.

Earlier this week, Southwest Airlines said it would add $10 to the price of roundtrip airfares to offset higher fuel costs. Other airlines have already made similar moves, including Continental, Delta and United and American.

Petroleum is used to make a number of industrial products, including plastics. That's pinching manufacturers such as Compton's TAG Toys, which uses plastic components in some of its puzzles and games. The company resumed full production a few months ago after trimming hours during the economic downturn, said Chief Executive Larry Mestyanek. Rising oil prices have given him something new to worry about.

adds to the base cost of the product, and that directly affects the price," he said.

The longer the bulge in prices lasts, the heavier the consequences for households, which could trim their spending on other things, said Amy Myers Jaffe, senior energy analyst and professor at Rice University's James A. Baker III Institute for Public Policy.

"If the turmoil goes on for many more weeks, consumers will retrench much more, and for a longer period of time," she said.

Edward J. Evans Jr. of Altadena, who runs a lawn maintenance and gardening service, is already cutting back. He recently lost some clients who said they were worried about the economy. Evans now tries to schedule jobs only three days a week to save fuel costs.

"I'm saving my money because I don't know where this economy is going to be taking me anytime soon," said Evans, 50, who supports three daughters and a

White House Press Secretary Jay Carney said the Obama administration was concerned about rising oil prices and monitoring the situation "very carefully."

On Wednesday, a gallon of regular gasoline averaged $3.19 nationwide, up 6 cents from the week before. In California, a gallon of regular averaged $3.58, up nearly 10 cents, according to the AAA Fuel Gauge Report. Nationwide, diesel averaged $3.58 a gallon, up 4 cents from a week ago. In California, a gallon of diesel averaged $3.90, up almost 7 cents a gallon.

Diesel last topped $4 a gallon in California in October of 2008 and broke the $5-a-gallon mark in May of 2008. It remained above $5 a gallon through July 2008.

Volatile fuel prices have some businesses looking to make permanent adjustments to their operations. On Tuesday, UPS announced it had purchased 48 heavy ·tor trucks that will run on liquefied national gas in western states, including California. The BNSF railroad has acquired 2,700 fuel-efficient locomotives r the decade.

Charles R. Diaz Trucking Inc. of Fresno instructs its long-haul drivers to fill up where fuel is cheapest, such as Arizona and Oklahoma.

Candace Mahdessian, owner of Jasmine's Garden, a Silver Lake florist, said she's going to absorb higher fuel costs for now rather than pass them along to her customers.

"Somewhere along the line of doing business, it evens out," she said. "Fuel costs are up, but we're used to that, being in L.A."

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Staff writer Jim Puzzanghera in Washington contributed to this report.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1092, PROPOSED A & B

February 25, 2011

RELATING TO TAXATION

House Bill Nos. 1092, Proposed A and Proposed B, both amend and modify the original Administration bill, and include provisions to: 1) tax employer-funded pension income; 2) eliminate the deduction for State income taxes paid; and 3) eliminate the income tax exclusion for persons involved in copyrights. The major difference is that both these proposals have a higher exclusion threshold for taxing pension incomes, which will result in less revenue as compared to the original Administration bill. The other two provisions to eliminate the deduction for State income taxes, and to eliminate the income tax exclusion on copyrights, are the same as the original version of the bill.

The Department of Budget and Finance supports the intent of these proposals but prefers the original Administration bill which has lower exclusion thresholds on pension incomes, and other provisions which are important components of the Abercrombie Administration's approach to addressing the general fund budget shortfall.

We defer to the Department of Taxation regarding the various technical issues of the proposals.

NEIL ABERCROMBIE
GOVERNOR

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HOUSE COMMITTEE ON FINANCE

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 1092 HD1 PROPOSED A RELATING TO TAXATION

TESTIFIER:	**FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR DESIGNEE)**
COMMITTEE:	**FIN**
DATE:	**FEBRUARY 25, 2011**
TIME:	**1:30PM**
POSITION:	**SUPPORT PART I AND II, OPPOSE PART III**

This measure amends the current law that excludes employer-funded pension income from income tax. It treats employer-funded pension income like all other income, similar to that of the federal tax code. It starts in the 2011 tax year.

The Department of Taxation (Department) **supports** this measure.

PART I: TAXATION OF PENSION INCOME

FAIRNESS—This proposal makes taxation of pensioners more "even handed." Currently, retirees without employer-funded pensions are taxed on their retirement income, such as 401K, dividends, rental income, and other sources of income. It is a fair tax policy to treat the taxation of employer-funded retirement income similar to the self-funded retirement income.

The 1995-1997 and 2001-2003 Tax Review Commission recommended a phase in taxation of all pension income. Similarly, the 2005-2007 Tax Review Commission recommended conforming to the federal tax treatment of retirement income, excluding an annual base amount (*e.g.*: $50,000). Hawaii is one of only ten (or 20%) states that exclude all federal, state and local pension income from taxation[1]. Forty (or 80%) states taxed pension.

PRESERVE THE EXEMPTION FOR THOSE WITH MODEST INCOME—

This measure proposes to preserve the exemption of the pension income for those with a federal Adjusted Gross Income of less than:

- $100,000 for single or married filing separately;
- $150,000 for head of household or surviving spouse;
- $200,000 for joint returns.

The Abercrombie-Schatz Administration proposes to preserve the exemption of the pension income for those with a federal Adjusted Gross Income of less than:

- $37,500 for single or married filing separately;
- $56,250 for head of household or surviving spouse;
- $75,000 for joint returns.

The thresholds chosen by the Administration took into consideration the average household income and average pension amount. According to the US Census Bureau, average Hawaii household income in 2008 was $66,701. According to the 2008 Federal Individual Income tax data, the average Hawaii residents' pensions and annuities taxed at the federal level was $22,686. According to the 2009 State Individual Income tax data, the amount of pensions taxed at the federal level but not by the State is $2.61 billion. This exemption currently benefits approximately 96,200 taxpayers, or only 18% of Hawaii resident taxpayers[2].

This measure will impact 3,988 taxpayers (or approximately 0.7% of Hawaii resident taxpayers), whereas the Administration's proposal will impact 43,520 taxpayers (or approximately 8.1% of Hawaii resident taxpayers).

[1] The ten (10) states are as follows: Alabama, Hawaii, Illinois, Kansas, Louisiana, Massachusetts, Michigan, Mississippi, New York and Pennsylvania.

[2] Total number of 2009 resident individual income tax returns is 535,996.

REVENUE GAIN—This measure will result in an estimated revenue gain of $17.1 million per year for FY 2012 and thereafter, whereas the Administration's proposal will result in an estimated revenue gain of $112.3 million per year for FY 2012 and thereafter.

PART II: STATE TAX DEDUCTION

SOUND TAX POLICY—It is a fundamental tax policy to eliminate an absurd deduction allowed by the same source that is taxing the income. The current deduction is irrational and poor tax policy. It also simplifies the tax code. Only a handful (approximately 5) other states allow a state tax deduction for state income tax paid.

PHASE-OUT THE REPEAL FOR THOSE WITH MODEST INCOME—
Eliminates the deduction for the 2011 tax year for those earning:
- $75,000 or more for single or married filing separately;
- $112,500 or more for head of household or surviving spouse;
- $150,000 or more for joint returns.

Phases-out the deduction by reducing it over two taxable years for all others:
- 50% reduction for 2011
- 75% reduction for 2012
- 100% reduction for 2013.

REVENUE GAIN—This measure will result in an estimated revenue gain of $63.7 million for FY 2012, $79.0 million for FY 2013, $94.4 million for FY 2014 and thereafter.

PART III: ROYALTIES EXCLUSION

The Department opposes the repeal of the royalties exclusion. The royalties exclusion encourages the entertainment industry in Hawaii and directly benefits Hawaii's local musicians and filmmakers. The Department defers to the Department of Business Development and Tourism on the further merits of this exclusion.

REVENUE GAIN—This measure will result in an estimated revenue gain of $2.5 million/year for FY 2012 and thereafter.

REVENUE GAIN FOR PART I, II, AND III—This measure will result in an estimated total revenue gain of $83.4 million for FY 2012, $98.7 million for FY 2013, $114.1 million for FY 2014 and thereafter.

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
RICHARD C. LIM
Interim Director
Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON FINANCE

Friday, February 25, 2011
1:30 p.m.
State Capitol, Conference Room 308

in consideration of
HB1092, HD1
RELATIN GTO TAXATION

Chair Oshiro, Vice-Chair Lee and Committee members:

The Department opposes Part III, Section 6 of this measure with proposes to eliminate performing arts products from the exclusion of gross income from royalties derived from patents, copyrights or trade secrets.

This proposed legislation will negatively affect Hawaii's locally based artists. It is also counterproductive to the State's efforts to build a vibrant creative community and creative arts industry.

The Department believes that the elimination of this tax benefit will not only hurt Hawaii's working class artists and cultural arts practitioners, but ignores the contributions to our economy that these artists have made.

Thank you for the opportunity to testify.

TO : COMMITTEE ON FINANCE
Rep. Marcus Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

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

HEARING: 1:30 am Friday, February 25, 2011
Conference Room 308, Hawaii State Capitol

SUBJECT: HB 1092 HD1 Proposals A and B Relating to Taxation

POSITION: PABEA supports the intent of HB 1092 proposed draft SD1. We prefer Proposal B which would pension tax income over a threshhold.

RATIONALE:

- We support the intent that public employee retires with relatively high incomes should be taxed on at least a portion of their state pension. As retirees, we continue to benefit from public services and programs and have an obligation to do our share to support programs for all Hawaii residents.

- However, a new tax should be modest – keeping in mind that retirees have carefully considered their finances when making the decision to retire. We prefer proposal B. which would tax pension income only above a certain level. This bill also calls for eliminating a deduction, and so the cumulative effect could have a noticeable impact on standards of living.

- Figuring out the financial viability of retirement is a challenge, but changing the rules after the game can be seen as unfair. Many middle class retirees continue to have mortgages or must pay rent, and many face increasing health care costs as they age.

Thank you for the opportunity testify.

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: INCOME, Tax on pensions, repeal deduction for state income taxes; royalties

BILL NUMBER: HB 1092, Proposed A HD-1
HB 1092. Proposed B HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: **Taxation of Pension Income:**

Proposed A - Adds a new section to HRS chapter 235 to provide that beginning after December 31, 2010 pension income under HRS sections 88-91, 235-7(a)(2), and 235-7(a)(3) shall be excluded from state income taxation if a taxpayer's **federal** adjusted gross income (FAGI) is: (1) less than $100,000 for a taxpayer filing a single return or a married person filing separately; (2) less than $150,000 for a taxpayer filing as a head of household or surviving spouse; or (3) less than $200,000 for a taxpayer filing a joint return.

Proposed B - Adds a new section to HRS chapter 235 to provide that beginning after December 31, 2010, the following shall be excluded from state income taxation: (1) $75,000 of pension income of a taxpayer filing a single return or a married person filing separately; (2) $112,500 of pension income of a taxpayer filing as a head of household or surviving spouse; or (3) $150,000 of pension income of a taxpayer filing a joint return.

State Tax Deduction:

Proposed A and Proposed B: Amends HRS section 235-2.4(h) to phase-out the deduction for state taxes to provide that for: (1) a taxpayer filing a single return or a married person filing separately with FAGI of under $75,000: the deduction shall be reduced by 50% for tax years beginning after December 31, 2010; 75% for tax years beginning after December 31, 2011; and 100% for tax years beginning after December 31, 2012; for those with FAGI of $75,000 and over - no deduction for tax years beginning after December 31, 2010; (2) for a taxpayer filing as a head of household or surviving spouse with FAGI of under $112,500, the deduction shall be reduced by 50% for tax years beginning after December 31, 2010; 75% for tax years beginning after December 31, 2011; and 100% for tax years beginning after December 31, 2012; for those with FAGI of $112,500 and over - no deduction for tax years beginning after December 31, 2010; (3) for a taxpayer filing a joint return with FAGI of under $150,000, the deduction shall be reduced by 50% for tax years beginning after December 31, 2010; 75% for tax years beginning after December 31, 2011; and 100% for tax years beginning after December 31, 2012; for those with FAGI of $150,000 and over - no deduction for tax years beginning after December 31, 2010.

Royalties Exclusion:

Proposed A and Proposed B: Amends HRS section 235-7.3 to repeal the income tax exclusion for authors of performing arts products related to copyrights. Also amends the definition of "qualified high technology business" to provide that is shall mean a business that conducts more than 50% of its activities in qualified research in Hawaii.

The amendments made to HRS section 235-7(a) by this act shall not be repealed when that section is reenacted on January 1, 2013 by Act 166, SLH 2007.

EFFECTIVE DATE: Tax years beginning after December 31, 2010

STAFF COMMENTS: While Hawaii does not currently tax pension income, these measures recognize those who depend on that pension income for their basic needs by setting a floor before pension income is to be included in gross income for state income tax purposes. Under ***Proposed A*** - this "floor," or threshold, is set at $100,000 of federal adjusted gross income for individuals, $150,000 for heads of households, and $200,000 for those filing a joint return.

Under ***Proposed B*** the amount of pension income excluded for state income tax purposes is: $75,000 for individuals, $112,500 for heads of households, and $150,000 for those filing a joint return.

The problem with using "federal adjusted gross income" is that not only does it already include pension income but it may also include one-half or more of the taxpayer's Social Security benefits. Thus, this proposal not only changes the policy regarding the taxation of pension income, but it also changes the policy with regard to the taxation of Social Security benefits. It is not that the state tax will be levied on Social Security benefits per se, but because federal adjusted gross income includes Social Security benefits which then define whether or not one's pension becomes taxable for state income tax purposes, it has an indirect effect of taxing those benefits. This approach also ignores the actual size of the retiree's pension income as exceeding the threshold or floor and throws all of the retiree's income on the table in determining whether or not one's pension will be taxable for state income tax purposes.

So, the retiree may have been employed at a business where the pension plan met the bare minimum requirements of the law and the contributions to the plan may have been relatively small in favor of paying more generous wages. That retiree, being prudent, set aside some of those generous wages either in savings or purchased equities to provide for his or her retirement. As a result, the earnings of those savings and investments provide for the bulk of the retiree's income. Because these sources of income are included along with what might be considered a pittance of pension income, the retiree exceeds the threshold subjecting all of the pension income to the state income tax. On the other hand, another retiree's only source of income is his pension, but that pension falls just below the proposed threshold of federal adjusted gross income and thus escapes any state income tax. It would seem fairer that if pension income is now to be taxable for state income tax purposes, the threshold be measured only against the form of income called pensions. Treatment of this form of income would be identical regardless of other sources of income and regardless of the federal definition of income.

Of the forty-four other state which levy a state personal income tax, 18 states set a dollar floor amount with the most generous being Michigan at $45,120 followed by Kentucky which grants a $41,110 floor before pension income is subject to state taxes in the Bluegrass State. Of those states with income taxes, 17 states tax pension income from dollar one with no exclusion, four states, including Hawaii, tax some form of retirement income and four states completely exempt all retirement income. Thus, the thresholds contained in "Proposed B" are very generous by comparison and raise the question of whether or not that proposal will generate any significant revenues with the thresholds set as high as they are.

That said, one has to ask why has it come to this point that the state has to tax a source of income that traditionally has been exempt? All taxpayers, both workers and retirees, must share the blame as few paid attention to how lawmakers frittered our tax dollars away on this or that program. Now that many of those programs and services lawmakers initiated in the last few years have constituencies, it has been difficult for lawmakers to rein in that spending. The swift and vehement rejection of the proposal to tax pensions lies not so much in the fact that it will now tax income that was formerly exempt as much as it is the fact that taxpayers already reel under the heavy burden of taxes in Hawaii. As one senior noted, "What have lawmakers been doing with all the taxes we pay? "

These measures also eliminate the deduction for state taxes paid, eliminate the extension of the royalties exclusion to certain persons involved in performing arts products to provide that actors and musicians who transfer all or part of their copyrights to production companies or music labels and will now be subject to the state income tax. In addition, under the existing law, there is no requirement that the person enjoying the royalty exclusion to have any connection to Hawaii. The amendment proposed by these measures would require the qualified high technology business that owns and develops the intellectual property excluded under royalty exclusion to have at least 50% of its qualified research activity occurring in Hawaii.

Although the administration may argue that the federal Code does not allow for the deduction of federal income taxes withheld, it should remember that the federal code does allow for the deduction of state income tax paid and withheld. In its effort to conform as closely as possible with the federal definition of income, the state picks up this provision which recognizes that to NOT allow the deduction of state income taxes withheld and paid would be to impose the state income tax on state income taxes. That said, if the intent is to generate additional revenue from the state income tax, then lawmakers should just raise rates which is much more honest. Lawmakers should remember why the state conforms to the federal law, to reduce administrative and compliance costs for both the tax department and the taxpayer.

Falling out of conformity merely increases the cost of compliance and should be viewed as an additional "tax" imposed by policymakers.

Digested 2/24/11

HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION

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February 23, 2011

TO: Chair Marcus Oshiro, Vice-Chair Marilyn Lee
Members of the House Committee on Finance

FROM: Americans for Democratic Action/Hawaii
Barbara Polk, Legislative Chair

SUBJECT: Comments on HB1092 HD1 Proposed A

Americans for Democratic Action/Hawaii wishes to thank the Chair and committee for providing two much more reasonable drafts of HB 1092 for public review.

With respect to taxing pensions, the original bill would have taxed the entire pension of a person with an adjusted gross income of more than $37,500. Combined with other revenue proposals by the Governor, this would have reduced this retiree's income by approximately 7%, while individuals with taxable incomes over $100,000 (and no pension) would have seen their income decrease by less than 1%. Such a regressive change in taxation is clearly unacceptable.

Taxing the pensions of people who have already retired is not desirable, since they have made retirement plans based on the assumption that their pension would not be taxed. However, we also realize that there are many people who retire to Hawaii who have never worked and paid taxes here, but who now impact state resources and services. For that reason, we reluctantly agree that an appropriate proposal to tax pensions is acceptable.

Proposal A is not regressive and imposes a tax only on higher income people. However, it shares the "all or nothing" problem of the original bill, by allowing a person with an adjusted gross income of $99,999 to exempt all of his pension from taxation, while a person with an AGI of $100,001 would be taxed on all of the pension. This does not appear to be fair.

One alternative is to exempt a portion of pension income from taxation for all individuals, as in Proposal B.

Another approach that the Committee might consider is that used by the federal government for Social Security taxation. SS income is not taxed at very low income levels. At somewhat higher levels, a portion of Social Security income is taxed, that percentage increasing as adjusted gross income increases. (Note: we do not recommend using the federal formula itself, which is much too cumbersome to compute and results in taxing people at quite low income levels.)

We also wonder why a surviving spouse is allowed 50% more untaxed pension that other single people. Meanwhile, we wonder why a "head of household" is allowed 25% less untaxed pension than a couple filing jointing, even though they clearly are supporting at least as many people. Finally, Hawaii's tax code is unusually generous to joint filers, who do not normally require twice as much money to live as a single person. We urge to Committee to examine this and make appropriate adjustments.

With respect to other changes in the tax code included in these bills, we do not object to disallowing state taxes as a deduction. We do wonder why ANY royalties derived from patents, copyrights, or trade secrets are excluded from gross income. The report of the Tax Review Commission in 2007 questioned whether the State received any benefit from this exclusion, especially since there is no requirement that the royalties so excluded contribute to employment or provide other benefits to Hawaii. Why this form of income should be excluded from taxation, while others are not, is unclear.

There are many other aspects of the tax code that might also be addressed to increase state revenue. For example, we suggest that the legislature look at corporate income tax revenues. According to the Tax Review Commission, these make up only 2-3% of the state's revenue—about half the proportion of state revenues from corporations in other states, on average, according to the Tax Foundation. Over the past few years, Hawaii has ranked 40th to 44th among states in proportion of tax revenues from corporations. It's time that corporations pay their fair share.

Thank you for the opportunity to testify on this bill.

HAWAI'I
AMERICANS FOR DEMOCRATIC ACTION

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February 23, 2011

TO: Chair Marcus Oshiro, Vice-Chair Marilyn Lee
Members of the House Committee on Finance

FROM: Americans for Democratic Action/Hawaii
Barbara Polk, Legislative Chair

SUBJECT: Comments on HB1092 HD1 Proposal B

Americans for Democratic Action/Hawaii wishes to thank the Chair and committee for providing two much more reasonable drafts of HB 1092 for public review.

Taxing the pensions of people who have already retired is not desirable, since they have made retirement plans based on the assumption that their pension would not be taxed. However, we also realize that there are many people who retire to Hawaii who have never worked and paid taxes here, but who now impact state resources and services, yet are free of taxes on a large portion of their income. For that reason, we reluctantly agree that an appropriate proposal to tax pensions is acceptable.

The original bill would have taxed the entire pension of a person with an adjusted gross income of more than $37,500. Combined with other revenue proposals by the Governor, this would have reduced this retiree's income by approximately 7%, while individuals with taxable incomes over $100,000 (and no pension) would have seen their income decrease by less than 1%. Such a regressive change in taxation is clearly unacceptable.

Proposal B appears to be a more appropriate plan, in that it excludes the first $75,000 of pension income from taxation and avoids the regressivity of the original bill. We would support this part of the proposal.

Another approach that the Committee might consider is that used by the federal government for Social Security taxation. SS income is not taxed at very low income levels, then a portion of Social Security income is taxed, that percentage increasing as adjusted gross income increases until 85% of the benefit is taxed. (Note: we do not recommend using the federal formula itself, which is much too cumbersome to compute and results in taxing people at quite low income levels.)

We also wonder why a surviving spouse is allowed 50% more untaxed pension that other single people. Meanwhile, we wonder why a "head of household" is allowed 25% less untaxed pension than a couple filing jointing, even though they clearly are supporting at least as many people. Finally, Hawaii's tax code is unusually generous to joint filers, who do not normally require twice as much money to live as a single person. We urge to Committee to examine these areas and make appropriate adjustments.

With respect to other changes in the tax code included in these bills, we do not object to disallowing state taxes as a deduction. We do wonder why ANY royalties derived from patents, copyrights, or trade secrets are excluded from gross income. The report of the Tax Review Commission in 2007 questioned whether the State received any benefit from this exclusion, especially since there is no requirement that the royalties so excluded contribute to employment or provide other benefits to Hawaii. Why this form of income should be excluded from taxation, while others are not, is unclear.

There are many other aspects of the tax code that might also be addressed to increase state revenue. For example, we suggest that the legislature look at corporate income tax revenues. According to the Tax Review Commission, these make up only 2-3% of the state's revenue—about half the proportion of state revenues from corporations in other states, on average, according to the Tax Foundation. Over the past few years, Hawaii has ranked 40th to 44th among states in proportion of tax revenues from corporations. It's time that corporations pay their fair share.

Thank you for the opportunity to testify on this bill.

Hawaii Chapter, MOAA
P.O. Box 1185
Kailua, Hawaii 96734-1185

Testimony of Thomas Smyth, President

Military Officers Association of America, Hawaii Chapter

Before the Committee on Finance

Friday, February 25, 2011, 1:30 pm, Room 308

HB 1092 (HD1 Proposed A and B) Relating to Taxation

Chair Oshiro, Vice Chair Lee and Committee Members

Our chapter of 400 retired and currently serving officers of the Uniformed Services strongly opposes both Proposed HD Draft 1, versions A and B, that would tax pensions and annuities of current and future retirees with federal adjusted gross income above a defined threshold.

This issue has been given much publicity as part of the Governor's State of the State address and in his recent Star-Advertiser op-ed piece. Although the governor has indicated that Social Security income was not to be taxed, for many retirees up to 85% of SS income is included in the federal adjusted gross income calculation. In effect this would be a tax on SS income, however indirectly. It is also not clear whether disability retired pay would be taxed and whether the thresholds would be indexed for inflation.

Of particular concern is the notion that only 10 states do not tax pensions. That is very misleading in that 8 states have no personal income tax and 2 others only tax dividend and interest income. The fact is that 13 states with income tax do not tax military pensions and another 20 states provide military pension exclusions with either dollar amounts or age exemptions, from 55 to 65 years of age. Other states allow those with full disability an exclusion, similar to those above a certain age. Still other states only tax military retired pay for those retiring after a certain date.

As you can see from the 50 state data I have provided, comparison with other states is complex. If Hawaii taxes military retired pay, it will certainly become known as a "military-unfriendly" state at a time when the

Department of Defense is one of the most significant contributors to our economy and we go out of our way to welcome military personnel, their families and the money they spend.

We urge you to carefully consider the facts in this matter and not listen to the rhetoric that pensioners are not “giving back” enough. I can't speak for all retirees but I know from my personal experience and that of my nearly 500 members that we do, in fact, “give-back” a lot, partly because we have more time to contribute to the community than younger families trying to raise children while working long hours. Many of you are aware of the hundreds of community activities that are led by, or supported by retired military personnel. They served their country and state while in military service and most continue to serve in retirement.

Finally, it is clear to me from comments made by the members of my chapter, that if these draconian taxes are put in place immediately and without any prior warning, many will leave the state and few more will come here to retire. That means a significant loss of state revenue as they spend their discretionary income somewhere else. That revenue loss, which is measurable, should be factored into the fiscal equation that so far is only counting revenue gain from new taxation. There is a “cost-benefit” ratio analysis needed before a major mistake is made using false calculations.

Thank you for the opportunity to provide testimony.

AARP®

To: House Committee on Finance
Representative Marcus R. Oshiro, Chair

Date: February 25, 2011, Conference Room 308, 1:30pm.

Re: **HB 1092 HD 1 Proposed A**

Chairman Oshiro and Members of the Committee:

My name is Barbara Kim Stanton, State Director of AARP Hawaii. AARP is a membership organization of people 50 and older with nearly 150,000 members in Hawaii. We are committed to championing access to affordable, quality health care for all generations, providing the tools needed to save for retirement, and serving as a reliable information source on issues critical to Americans age 50+.

AARP offers the following comments on HB 1092 HD1 Proposed A, which amends Hawaii tax law by providing for the taxation of pension income based on Federal Adjusted Gross Income (FAGI) thresholds; eliminates the deduction for state taxes paid; and modifies the exclusion for royalties. AARP notes that under this proposal some seniors would get two tax increases because of the elimination of the deduction for state income taxes and the tax on pensions. However, AARP's comments pertain to the portion of the bill relating to the taxation of pension income.

Like most Hawaii residents, AARP members believe that they must work to effectively address the state's very real budget crisis – a crisis that can impact all of us. Due to this broad impact, AARP members fundamentally believe that, in order to be effective, the solutions to this problem must also be broad-based. AARP members are willing to do their fair share to help solve this problem, but believe this sacrifice must be shared as equitably as possible. Viewed through these objectives, AARP therefore has serious concerns regarding HB 1092 HD 1, Proposed A, as drafted, both in terms of its fairness and effectiveness.

First and foremost, this version of the pension tax bill is just one of several proposals being considered that could increase the financial burden on retirees. Broad-based problems call for broad-based solutions, and some of the pension tax proposals targets senior pensions and burdens them with paying for a disproportionate 48 percent share of all proposed revenue measures.

AARP is concerned that this proposal to tax pensions will fall far short of raising the approximate $112 million in revenues projected by the Governor. The Department of Taxation in their February 18, 2011 testimony on SB162 SD1 stated that only $50.1 million in revenues would be generated if FAGI thresholds were set at $75,000, $100,000, and $125,000 for single, head of household, and joint filers, respectively. As HB 1092 HD1 Proposed A raises the FAGI threshold even higher, a larger shortfall in revenues would occur. Because of this revenue shortfall, the Governor and the legislature would then need to dive much deeper and target the pension incomes of moderate and lower income retirees to generate the revenue needed to balance the state's budget.

Many retirees are very concerned that their pensions will be an all too convenient means to resolve any future deficits. The fear is that future lowering of threshold amounts to generate additional revenue would unfairly place the burden of fixing the state's budget problems on the backs of vulnerable retirees with fixed incomes who already have limited or nonexistent ability to increase their income to offset increasing expenses. Retirees would also like assurances that future changes regarding the taxation of pension income would not then make pension income taxable, if previously not taxed. Retirees also want assurances that if they are sacrificing their pensions that revenues generated will be directed to critical services that will be of value to them and their families.

Because of current laws at the federal and state levels, certain groups of individuals would be exempt from this proposed bill. For instance, despite the Governor's stated intent to target wealthy nonresident retirees who pay no taxes on the pension part of their income, these individuals would be exempt from this legislation. The reason they will remain exempt is that current federal law (Public Law No. 104-95) prohibits states from taxing distributions from nonresident pension and other retirement income plans. As a result, many wealthy retirees may legally avoid tax. We also note that Article XVI, Section 2 of the Hawaii Constitution states that the accrued benefits of retirees in the State retirement system shall not be "diminished or impaired." As such, this pension tax proposal may have legal repercussions if applied retrospectively, particularly to current retirees.

While the budget crisis is real, equally clear is that the economic downturn has seriously impacted the ability of retirees on fixed incomes and near retirees to make up for rising personal costs. AARP members are very concerned that this pension tax will further erode seniors' retirement security. This erosion has been especially noteworthy over the past two decades, as consumer costs, as reflected by the CPI, have increased by 67 percent nationally, and 70 percent in Honolulu.

Health care costs are particularly burdensome for older residents. Indeed, more than 200,000 Medicare beneficiaries in Hawaii already spend about 30 percent of their income on health care in the form of out-of-pocket premiums, co-pays and deductibles.

Brand-name and specialty drugs costs have also skyrocketed. In the 12 months ending March 2010, prices for widely used brand name and specialty drugs rose by more than nine percent, on average. There is also the looming challenge of long-term care. In Hawaii, the median price of a private room in a nursing home is $115,000 per year, according to the latest Genworth study.

The proposed legislation also has "technical" flaws that cause unfairness and inequities.

- An individual's entire pension income would be unfairly taxed, if it was only $1 over the FAGI threshold, while it would not be taxable if under the FAGI threshold.
- Social Security benefits are also used to qualify pensions for taxation by its inclusion in the FAGI threshold, which results in an indirect taxation of Social Security benefits.
- This bill is retroactive to January 1, 2011, and would create an unfair financial hardship for many individuals upon discovering an additional tax liability when they file their 2011 tax return.

Given the financial magnitude of this tax proposal and the lack of information on those affected, we strongly recommend that the State conduct community dialogues to both inform and receive feedback from retirees and prospective retirees. Also needed is information to the legislature on the number of taxpayers in each income bracket and the amount of revenues they are projected to generate.

We respectfully request that this bill be deferred for the reasons herein.

Thank you for the opportunity to present our views to help ensure the retirement security of Hawaii retirees.

AARP®

To: House Committee on Finance
Representative Marcus R. Oshiro, Chair

Date: February 25, 2011, Conference Room 308, 1:30pm.

Re: **HB 1092 HD 1 Proposed B**

Chairman Oshiro and Members of the Committee:

My name is Barbara Kim Stanton, State Director of AARP Hawaii. AARP is a membership organization of people 50 and older with nearly 150,000 members in Hawaii. We are committed to championing access to affordable, quality health care for all generations, providing the tools needed to save for retirement, and serving as a reliable information source on issues critical to Americans age 50+.

AARP offers the following comments on HB 1092 HD1 Proposed B, which amends Hawaii tax law by providing for the taxation of pension income based on pension income thresholds; eliminates the deduction for state taxes paid; and modifies the exclusion for royalties. AARP notes that under this proposal some seniors would get two tax increases because of the elimination of the deduction for state income taxes and the tax on pensions. However, AARP's comments pertain to the portion of the bill relating to the taxation of pension income.

Like most Hawaii residents, AARP members believe that we must work to effectively address the state's very real budget crisis – a crisis that can impact all of us. Due to this broad impact, AARP members fundamentally believe that, in order to be effective, the solutions to this problem must also be broad-based. AARP members are willing to do their fair share to help solve this problem, but believe this sacrifice must be shared as equitably as possible. Viewed through these objectives, AARP therefore has serious concerns regarding HB 1092 HD 1, Proposed B, as drafted, both in terms of its fairness and effectiveness.

First and foremost, this version of the pension tax bill is just one of several proposals being considered that could increase the financial burden on retirees. Broad-based problems call for broad-based solutions, and some of the pension tax proposals targets senior pensions and burdens them with paying for a disproportionate 48 percent share of all proposed revenue measures.

AARP is concerned that this proposal to tax pensions will fall far short of raising the approximate $112 million in revenues projected by the Governor. The Department of Taxation in their February 18, 2011 testimony on SB162 SD1 stated that only $50.1 million in revenues would be generated if FAGI thresholds were set at $75,000, $100,000, and $125,000 for single, head of household, and joint filers, respectively. As HB 1092 HD1 Proposed B would change the threshold to only pension income and raise the threshold even higher, a larger shortfall in revenues would occur. Because of this revenue shortfall, the Governor and the legislature would then need to dive much deeper and target the pension incomes of moderate and lower income retirees to generate the revenue needed to balance the state's budget.

Many retirees are very concerned that their pensions will be an all too convenient means to resolve any future deficits. The fear is that future lowering of threshold amounts to generate additional revenue would unfairly place the burden of fixing the state's budget problems on the backs of vulnerable retirees with fixed incomes who already have limited or nonexistent ability to increase their income to offset increasing expenses. Retirees would also like assurances that future changes regarding the taxation of pension income would not then make pension income taxable, if previously not taxed. Retirees also want assurances that if they are sacrificing their pensions that revenues generated will be directed to critical services that will be of value to them and their families.

Because of current laws at the federal and state levels, certain groups of individuals would be exempt from this proposed bill. For instance, despite the Governor's stated intent to target wealthy nonresident retirees who pay no taxes on the pension part of their income, these individuals would be exempt from this legislation. The reason they will remain exempt is that current federal law (Public Law No. 104-95) prohibits states from taxing distributions from nonresident pension and other retirement income plans. As a result, many wealthy retirees may legally avoid tax. We also note that Article XVI, Section 2 of the Hawaii Constitution states that the accrued benefits of retirees in the State retirement system shall not be "diminished or impaired." As such, this pension tax proposal may have legal repercussions if applied retrospectively, particularly to current retirees.

While the budget crisis is real, equally clear is that the economic downturn has seriously impacted the ability of retirees on fixed incomes and near retirees to make up for rising personal costs. AARP members are very concerned that this pension tax, along with the proposal to eliminate the deduction for state income taxes, will further erode seniors' retirement security. This erosion has been especially noteworthy over the past two decades, as consumer costs, as reflected by the CPI, have increased by 67 percent nationally, and 70 percent in Honolulu.

Health care costs are particularly burdensome for older residents. Indeed, more than 200,000 Medicare beneficiaries in Hawaii already spend about 30 percent of their income on health care in the form of out-of-pocket premiums, co-pays and deductibles.

Brand-name and specialty drugs costs have also skyrocketed. In the 12 months ending March 2010, prices for widely used brand name and specialty drugs rose by more than nine percent, on average. There is also the looming challenge of long-term care. In Hawaii, the median price of a private room in a nursing home is $115,000 per year, according to the latest Genworth study.

This bill is also retroactive to January 1, 2011, and would create an unfair financial hardship for many individuals upon discovering an additional tax liability when they file their 2011 tax return.

Given the financial magnitude of this tax proposal and the lack of information on those affected, we strongly recommend that the State conduct community dialogues to both inform and receive feedback from retirees and prospective retirees. Also needed is information to the legislature on the number of taxpayers in each income bracket and the amount of revenues they are projected to generate.

We respectfully request that this bill be deferred for the reasons herein.

Thank you for the opportunity to present our views to help ensure the retirement security of Hawaii retirees.

MUSICLAND HAWAI'I

State House of Representatives
Committee on Finance
Hon. Marcus Oshiro, Chair
Hon. Marilyn Lee, Vice Chair
Friday, February 25, 2011
1:30pm | Conference Room 308

Testimony of MUSICLAND HAWAIʻI

OPPOSITION: House Bill 1092 Proposed HD 1

Chair Oshiro, Vice Chair Lee and members of the Finance Committee,

This testimony is submitted in opposition to House Bill 1092 and its proposed HD 1.

The amendments proposed in Part III – in particular the deletion of subsection b of Chapter 235-7.3 HRS will harm the entertainment industry in Hawaiʻi. The original justification sheet provided by the Department of Taxation (DoTax) fails to understand this industry and could have possibly obtained some knowledge by asking a few of the musicians in the industry.

Many assume that musicians who have been blessed to release albums and have lots air play on radio stations have hit the proverbial jack pot, this is not the case at all – especially well known recording artists. Many recording artists hold full time jobs just to pay bills – their royalties are used to provide upkeep for instruments, fund new projects or promote current projects.

The deletion of Chapter 235-7.3's subsection b will impede the production of future music in Hawaiʻi by Hawaiʻi musicians. In MusicLand Hawaiʻi's situation, much of the royalties garnered from produced albums is utilized to create future albums – in some cases matching funds from investors.

Many local recording artists own their own music labels. MusicLand Hawaiʻi owns Hānaialiʻi Records and Ua Records. DoTax fails to understand this and assumes that many of the music labels are large corporations that have no connection to Hawaiʻi. This is not the case at all.

It would behoove DoTax to understand the happenings of this industry before assuming that removing a perceived benefit like HRS 235-7.3(b) will assist in balancing the budget of this State, really this provision keeps the music industry in Hawaiʻi going strong.

Mahalo for the opportunity to provide testimony.

Amy Hānaialiʻi Gilliom
President, MusicLand Hawaiʻi

<u>TESTIMONY OF WILLIAM G. MEYER, III</u>

HEARING DATE/TIME: Friday, February 25, 2011
1:30 p.m. in Conference Room 308

TO: House Committee on Finance

RE: Testimony re HB1092 (HD1 Proposed A) and HB1092 (HD1 Proposed B)

Dear Chair, Vice-Chair and Committee Members:

My name is William G. Meyer, III. I have practiced intellectual property, entertainment and business law in Honolulu for over 30 years and represent many of Hawaii's songwriters and recording artists

I strongly **oppose** PART III, SECTION 6 of HB1092 (HD1 Proposed A) and HB1092 (HD1 Proposed B) for the following reasons:

<u>This Measure Is Extremely Harmful To Hawaii's Struggling Creative Community Especially Hawaii's Music Community Which Has Been Hit Hard By Not Only The Economic Downturn But By An Industry In Economic Free Fall.</u>

<u>What Does PART III, SECTION 6 Of HB1092 (HD1 Proposed A) And (HD1 Proposed B) Do?</u>

PART III, SECTION 6 of HB1092 (HD1 Proposed A) and (HD1 Proposed B) repeals subsection (b) of Section 235-7.3 Hawaii Revised Statutes ("Subsection (b)").

<u>A Brief History Of Subsection (b)</u>

Pursuant to Act 178,[1] Hawaii law provided an income tax exclusion for amounts received by an individual or qualified high technology business from, among other things, the commercial exploitation of creative expression protected by U.S. copyright law. The purpose of the law was to encourage the development of a creative community in Hawaii in an effort to build industries consisting of intellectual property asset based businesses.[2] This law did not, however, apply to

[1] Effective as of January 1, 2000.

[2] The legislative purpose of this exclusion was set forth in Section 21 of Act 178 which provides that:

"SECTION 21. The legislature finds that there is a need to encourage the creative community in Hawaii in order to support Hawaii's growth in the high technology business sector. The legislature further finds that exempting both individuals and high technology businesses from taxes on royalties received from copyrights and patents will help to encourage the creative community, which in turn will help produce its own synergy to foster electronic commerce in Hawaii. The purpose of this part is therefore to exempt individuals and qualified high technology businesses in Hawaii from taxation on royalties owned by those individuals or businesses and developed or arising out of those businesses.

amounts received from the exploitation of performing arts products, i.e., the local entertainment, culture and arts industries.

The next year, Act 297 extended this income tax exclusion to include amounts received from the exploitation of creative expression protected by U.S. copyright law and embodied in performing arts products.[3] This was done in recognition that the entertainment industry was quickly becoming a "high tech" industry and that, down the road, all content would become digital and available for widespread distribution via the Internet. However, this income tax exclusion still did not extend to the majority of the creative individuals who actually create or "author" performing arts products because only the individuals or companies that "owned" the copyrights to the subject performing arts products were entitled to the subject exclusion and pursuant to widespread industry practice most artists in the motion picture, television and recording industries were, and are, routinely required to enter into "work-for-hire" agreements or copyright "assignment" agreements whereby the individual artists are forced to transfer to production entities the copyright rights that they would otherwise own as a result of their "authorship" of the subject works.

As a result of this quirk in the law, production companies enjoyed the subject tax exclusion but the local artists whose creative talents are responsible for the subject products were not entitled to the benefit of this exclusion. In light of the fact that the vast majority of local artists were, and are, struggling[4] just to make ends meet and with the realization that these same artists are the collective creative force which acts to preserve and disseminate Hawaii's host culture and literally provides the "soundtrack" for the State's tourism industry and in an effort to further retain and build a creative community in the State of Hawaii, the Legislature in 2001 added Subsection (b) to the law by the enactment of Section 7 of Act 221.[5] As a result of the enactment of Subsection (b), the individuals responsible for the actual creative activity which the State intended to foster could now take advantage of the subject exclusion.

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[3] Performing Arts Products was (and still is under current law) defined as:

"(1) Audio files, video files, audiovideo files, computer animation, and other entertainment products perceived by or through the operation of a computer; and
(2) Commercial television and film products for sale or license, and reuse or residual fee payments from these products."

[4] 2010 was the worst year on record for the recording industry. In the February 3, 2011 issue of Rolling Stone, Steve Knopper reports that after nearly ten years of free fall it seemed as though things could not get worse for the music business but in fact 2010 was the first year when every sector of the industry "went off the rails" including those sectors that were previously resilient. Album sales are imploding (down 13%), revenues from touring have plunged (ticket sales fell 12%) and even digital music sales have stalled. Reflecting on the state of the industry, Peter Katsis, the Manager of Korn and Jane's Addition, said that "its certainly not for the squeamish. . . ."

[5] While the controversial investment tax credit portion of Act 221 has sunset, the subject income tax exclusion provision has no sunset provision.

Who Is Impacted By PART III, SECTION 6 Of HB1092 (HD1 Proposed A) And (HD1 Proposed B)?

PART III, SECTION 6 of HB1092 (HD1 Proposed A) and (HD1 Proposed B) repeal Subsection (b) thereby depriving many of the individual members of Hawaii's creative community from taking advantage of this tax benefit. However, under PART III, SECTION 6 of HB1092 (HD1 Proposed A) and (HD1 Proposed B) the subject exclusion remains available to individuals or businesses if they own the copyrights in and to the performing arts products they produce. In this regard, the proposed legislation could not be more counterproductive to building a creative community and recognizing the important contribution that local artists and practitioners of our host culture and arts make to both the quality of life in Hawaii and in promoting the State's number one industry – tourism. By far, the largest class of individuals who benefit from the subject exclusion are Hawaii's working class artists and practitioners of the cultural arts whose creative works are "captured" (in a copyright sense) in a way that allows said works to be distributed virtually everywhere. In this regard, it is important to keep in mind that the subject exclusion does not apply to all income streams received by these individuals. The subject exclusion does not apply to revenues received from live performances or any other activity which is not embodied in a performing arts product. Unfortunately, this law will have a disproportionately negative impact upon locally based artists, especially members of the native Hawaiian community because they constitute such a large segment of this industry.

The Original Justification Sheet Attached To The Initial Draft Of HB1092 Contained Technical And Factual Errors

The Justification Sheet provided at page 3 that "... under current law, actors and musicians who ordinarily transfer all or part of their copyrights to production companies or music labels pay no income tax." What the Justification Sheet fails to note is that if such persons retain the copyrights to works they create, the exclusion continues to apply. There is no rational reason for this distinction and it tends to favor those with superior bargaining leverage and hurt those without such leverage – in other words, the little guys. Additionally, at page 3, the Justification Sheet also provided that "... furthermore, under current law, there is no requirement that the person enjoying the royalty exclusion ... have any connection to Hawaii." This is not true. The exclusion is only relevant if you are subject to Hawaii State income tax and you are only subject to Hawaii State income tax if you are either a resident of the State of Hawaii or are a non-resident and earn income from activities conducted in the State of Hawaii. Accordingly, in order for the subject exclusion to apply under current law, the "person enjoying the royalty exclusion" must indeed have a connection to Hawaii.

Respectfully submitted,

/s/ William G. Meyer, III

William G. Meyer, III

TESTIMONY OF KENNETH A. MAKUAKĀNE

HEARING DATE/TIME: Friday, February 25, 2011
1:30 p.m. in Conference Room 308

TO: House Committee on Finance

RE: Testimony re HB1092 (HD1 Proposed A) and HB1092 (HD1 Proposed B)

Dear Chair, Vice-Chair and Committee Members:

My name is Kenneth A. Makuakāne. I have been an integral part of the Hawai'i music industry for over 30 years, in different capacities as a recording artist, a songwriter, a producer, a recording engineer, a record label and a publishing company. I have produced many of the Hawai'i artists, composed over one thousand Hawaiian and island songs, and published hundreds of my songs to major films, tv, radio and video projects.

I strongly **oppose** PART III, SECTION 6 of HB1092 (HD1 Proposed A) and HB1092 (HD1 Proposed B) for the following reasons:

This Measure Is Extremely Harmful To Hawaii's Struggling Creative Community Especially Hawaii's Music Community Which Has Been Hit Hard By Not Only The Economic Downturn But By An Industry In Economic Free Fall.

What Does PART III, SECTION 6 Of HB1092 (HD1 Proposed A) And (HD1 Proposed B) Do?

PART III, SECTION 6 of HB1092 (HD1 Proposed A) and (HD1 Proposed B) repeals subsection (b) of Section 235-7.3 Hawaii Revised Statutes ("Subsection (b)").

A Brief History Of Subsection (b)

Pursuant to Act 178,[1] Hawaii law provided an income tax exclusion for amounts received by an individual or qualified high technology business from, among other things, the commercial exploitation of creative expression protected by U.S. copyright law. The purpose of the law was to encourage the development of a creative community in Hawaii in an effort to build industries

[1] Effective as of January 1, 2000.

consisting of intellectual property asset based businesses.[2] This law did not, however, apply to amounts received from the exploitation of performing arts products, i.e., the local entertainment, culture and arts industries.

The next year, Act 297 extended this income tax exclusion to include amounts received from the exploitation of creative expression protected by U.S. copyright law and embodied in performing arts products.[3] This was done in recognition that the entertainment industry was quickly becoming a "high tech" industry and that, down the road, all content would become digital and available for widespread distribution via the Internet. However, this income tax exclusion still did not extend to the majority of the creative individuals who actually create or "author" performing arts products because only the individuals or companies that "owned" the copyrights to the subject performing arts products were entitled to the subject exclusion and pursuant to widespread industry practice most artists in the motion picture, television and recording industries were, and are, routinely required to enter into "work-for-hire" agreements or copyright "assignment" agreements whereby the individual artists are forced to transfer to production entities the copyright rights that they would otherwise own as a result of their "authorship" of the subject works.

As a result of this quirk in the law, production companies enjoyed the subject tax exclusion but the local artists whose creative talents are responsible for the subject products were not entitled to the benefit of this exclusion. In light of the fact that the vast majority of local artists were, and are, struggling[4] just to make ends meet and with the realization that these same artists are the collective creative force which acts to preserve and disseminate Hawaii's host

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[2] The legislative purpose of this exclusion was set forth in Section 21 of Act 178 which provides that:

"SECTION 21. The legislature finds that there is a need to encourage the creative community in Hawaii in order to support Hawaii's growth in the high technology business sector. The legislature further finds that exempting both individuals and high technology businesses from taxes on royalties received from copyrights and patents will help to encourage the creative community, which in turn will help produce its own synergy to foster electronic commerce in Hawaii. The purpose of this part is therefore to exempt individuals and qualified high technology businesses in Hawaii from taxation on royalties owned by those individuals or businesses and developed or arising out of those businesses.

[3] Performing Arts Products was (and still is under current law) defined as:

"(1) Audio files, video files, audiovideo files, computer animation, and other entertainment products perceived by or through the operation of a computer; and
(2) Commercial television and film products for sale or license, and reuse or residual fee payments from these products."

[4] 2010 was the worst year on record for the recording industry. In the February 3, 2011 issue of Rolling Stone, Steve Knopper reports that after nearly ten years of free fall it seemed as though things could not get worse for the music business but in fact 2010 was the first year when every sector of the industry "went off the rails" including those sectors that were previously resilient. Album sales are imploding (down 13%), revenues from touring have plunged (ticket sales fell 12%) and even digital music sales have stalled. Reflecting on the state of the industry, Peter Katsis, the Manager of Korn and Jane's Addition, said that "its certainly not for the squeamish. . . ."

culture and literally provides the "soundtrack" for the State's tourism industry and in an effort to further retain and build a creative community in the State of Hawaii, the Legislature in 2001 added Subsection (b) to the law by the enactment of Section 7 of Act 221.[5] As a result of the enactment of Subsection (b), the individuals responsible for the actual creative activity which the State intended to foster could now take advantage of the subject exclusion.

Who Is Impacted By PART III, SECTION 6 Of HB1092 (HD1 Proposed A) And (HD1 Proposed B)?

PART III, SECTION 6 of HB1092 (HD1 Proposed A) and (HD1 Proposed B) repeal Subsection (b) thereby depriving many of the individual members of Hawaii's creative community from taking advantage of this tax benefit. However, under PART III, SECTION 6 of HB1092 (HD1 Proposed A) and (HD1 Proposed B) the subject exclusion remains available to individuals or businesses if they own the copyrights in and to the performing arts products they produce. In this regard, the proposed legislation could not be more counterproductive to building a creative community and recognizing the important contribution that local artists and practitioners of our host culture and arts make to both the quality of life in Hawaii and in promoting the State's number one industry – tourism. By far, the largest class of individuals who benefit from the subject exclusion are Hawaii's working class artists and practitioners of the cultural arts whose creative works are "captured" (in a copyright sense) in a way that allows said works to be distributed virtually everywhere. In this regard, it is important to keep in mind that the subject exclusion does not apply to all income streams received by these individuals. The subject exclusion does not apply to revenues received from live performances or any other activity which is not embodied in a performing arts product. Unfortunately, this law will have a disproportionately negative impact upon locally based artists, especially members of the native Hawaiian community because they constitute such a large segment of this industry.

The Original Justification Sheet Attached To The Initial Draft Of HB1092 Contained Technical And Factual Errors

The Justification Sheet provided at page 3 that ". . . under current law, actors and musicians who ordinarily transfer all or part of their copyrights to production companies or music labels pay no income tax." What the Justification Sheet fails to note is that if such persons retain the copyrights to works they create, the exclusion continues to apply. There is no rational reason for this distinction and it tends to favor those with superior bargaining leverage and hurt those without such leverage – in other words, the little guys. Additionally, at page 3, the Justification Sheet also provided that ". . . furthermore, under current law, there is no requirement that the person enjoying the royalty exclusion . . . have any connection to Hawaii." This is not true. The exclusion is only relevant if you are subject to Hawaii State income tax and you are only subject to Hawaii State income tax if you are either a resident of the State of Hawaii or are a non-resident and earn income from activities conducted in the State of Hawaii. Accordingly, in order for the subject exclusion to apply under current law, the "person enjoying the royalty exclusion" must indeed have a connection to Hawaii.

Me ka ha'aha'a,

Kenneth A. Makuakāne

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[5] While the controversial investment tax credit portion of Act 221 has sunset, the subject income tax exclusion provision has no sunset provision.

TESTIMONY OF JAMES LINKNER

Hearing Time: Friday, February 25, 2011, 1:30 PM in conference room 308
To: House Committee on Finance
RE: Testimony re HB1092 (HD1 Proposed A) and HB1092 (HD1 Proposed B)

Dear Chair, Vice-Chair and Committee Members,

My name is Jim Linkner and I have been an audio engineer and music producer in Hawai'i since 1972. In the past 38 years, I have been involved in over 400 recording projects, ranging from Gabby Pahinui and Olomana to Keali'i Reichel and Amy Hanaiali'i Gilliom.

It is my earnest feeling that Part III, Section 6 of HB1092 (HD1 Proposed A) and HB1092 (HD1 Proposed B) would be a devastating action against the music community that is already suffering enormous setbacks in the music industry.

Gone are the days when enough money was to be made in the music business alone. Most have to survive on other incomes. I work as a producer and co-manager of Keali'i Reichel, one of Hawaii's most revered and successful artists, and over the past few years, we have not seen enough from the music side alone to survive.

Yet, music is the heartbeat of the culture in Hawai'i and the substructure of dance. Without these, so much would be lost... for us and for the World. The government, itself, uses our music to help propel its image in business and the tourist industry.

Let's not see the government add to the waning of what is so precious to us all. Instead be supportive of our creative community and offer the same Aloha as our music has through the ages.

Please defeat Part III, Section 6 of HB1092 (HD1 Proposed A) and HB1092 (HD1 Proposed B).

Mahalo,

Jim Linkner

Jim Linkner

Hearing Date: Friday, February 25, 2001
1:30 pm, Conference room 308

To: House Committee on Finance

RE: Testimony Opposed to HB1092

Dear Committee Members:

I am Charles Michael Brotman, a composer/producer on the Big Island. I believe that HB1092 is harmful to Hawaii's music business, and sends a negative message from our legislators to our music community. We can all agree that our music is important for our visibility in the world, and therefore an integral part of Hawaii's tourist dollars. In addition, music created in Hawaii generates royalty income in our state from all over the world – monies that end as dollars spent here in Hawaii. This income comes from many sources outside of Hawaii in the form of royalties from ASCAP & BMI, from licensing music for TV and Film, from artist royalties, and so on. Our state should be doing everything possible to foster Hawaii's music business, particularly in this economic environment, which has been extremely difficult for Hawaii's musicians.

Please vote no on HB1092

Sincerely

Charles Michael Brotman

President, Palm Records
Owner, Lavatracks Recording (Charles Michael Brotman Music LLC)

TESTIMONY OF ERIC GILLIOM

___________HEARING DATE/TIME: Friday, February 25, 2011

1:30 p.m in Conference Room 308

To: House Committee on Finance

RE: Testimony re HB1092 (HD1 Propose A) and HB1092 (HD 1 Proposed B)

Dear Chair, Vice-Chair and Committee Members:

My name is Eric Gilliom, I have been a working musician, singer/songwriter here in the state of Hawaii for 25 years.

I strongly appose PART 111, Section 6 of HB1092 (HD1 Proposed A) and HB1092 (HD 1 Proposed B) for the following reasons:

I am part of the majority of singer/songwriters in Hawaii that TRULY RELY on this tax provision.

These are hard times for us, any break we can get is GREATLY needed so that we may support ourselves and our families.

Please consider that there are a mere handful of people in our industry that are making large sums of money, the rest of us, upwards of 98% are not.

PLEASE take this into consideration!!
WE NEED THIS TAX PROVISION!!!!

Thank You
Respectfully submitted,

Eric Gilliom

Please oppose proposed increases in the TAT on timeshare owners' maintenance fees.in the following tax increase bill as it has been proposed:

- HB 1092

The impact of the proposed taxes is excessive, and needs to be reduced substantially to make the increases reasonable and proper.

We invested in property in Hawaii a few years ago and visit your state frequently to enjoy the ambience of the relaxing lifestyle. These proposed tax increases and changes in calculation of fair market values will triple the transient accommodations taxes (TAT) that we pay when we use our condo in Hawaii, and will make it less attractive to visit your state as often. Timeshare unit owners are more loyal visitors who come more regularly to spend vacation $ in Hawaii than normal tourists, and should not be penalized by excessive tax increases..

Being from Illinois which has its own financial problems, we can understand the need for some tax increases, but the magnitude of these proposed tax increases is unreasonable.

We appeal to you to bring any increases into a reasonable amount that will not discourage us and other out-of-state owners of Hawaiian properties from visiting Hawaii.

Thank you for your consideration of the inequity of these tax bills as they have been proposed, and your diligent efforts to make any bills enacted more reasonable.

Regards,

James Houston Mary Lunz Houston

<u>**TESTIMONY OF GILAD JANKLOWICZ**</u>

HEARING DATE/TIME: Friday, February 25, 2011
1:30 p.m. in Conference Room 308

TO: House Committee on Finance

RE: Testimony re HB1092 (HD1 Proposed A) and HB1092 (HD1 Proposed B)

Dear Chair, Vice-chair and committee members,

My name is Gilad Janklowicz. I have produced and hosted Hawaii based fitness TV shows since 1982. We produced the first national episodes of the series 'Bodies In Motion' in that year and the series is still running today. We were first on ESPN and have since been on 4 other US based national networks and in 80 countries world-wide.

'Bodies In Motion' and our subsequent show 'Total Body Sculpt with Gilad' are both shot outdoors in the most beautiful locations in Hawaii. The entire length of the show showcases the beauty of Hawaii to the world. It is equivalent to a half hour commercial for Hawaii tourism that airs on a daily basis nation-wide and in international markets as well. 3 months ago we syndicated in Mexico, Central America and the Dominican Republic adding them to our international spread. Now Hawaii is getting the benefits of this exposure in these markets as well.

In the time that we have been producing and distributing these shows the television industry has changed completely. Because of the vast expansion of cable and satellite networks it is now extremely hard to get any kind of remuneration for syndication. Now when we approach potential carriers they quote us their 'infomercial rate' expecting us to pay them to run these shows. Only because of the loyalty of our fan base and their influence on the networks we appear on are we able to continue airing.

We have been fortunate enough to get the copyright tax exemptions since the year 2000 and these exemptions have helped make it possible for us to stay in business. In return we have been giving the state of Hawaii tourism industry exposure throughout the world on a daily basis for the last 28 years.

Everybody that works on our productions is hired locally.

<u>**Revoking these exemptions will be harmful to our business and, in turn, everyone in the television production industry that we hire.**</u>

Respectfully submitted,
/s/Gilad Janklowicz
Gilad Janklowicz
Producer, 'Bodies In Motion', 'Total Body Sculpt With Gilad'

To: House Committee on Finance, Representative Marcus R. Oshiro, Chair

Date: Friday, February 25, 2011, State Capitol Conference Room 308, 1:30pm.

Re: HB 1092 HD1 Proposed A and B

Chair Oshiro and Committee Members. My name is David Klemer and I am retired. My income is limited to my retirement savings. I am opposed to HB 1092 HD1 Proposed A and B because:

- Though this bill targets pensions of wealthy retirees, I fear that the pensions of moderate and lower income retirees will be targeted if the $114 million goal is not reached.
- Future changes to any law that taxes pensions may unfairly place the burden of fixing the budget deficit on retirees like me, who live on a fixed income, but must constantly struggle with rising living expenses.
- Create a revenue generating bill that fairly taxes all forms of income. Please do not focus only on pensions.

Thank you for the opportunity to submit my testimony.

David T Klemer

Anahola, Hawaii

To: House Committee on Finance, Representative Marcus R. Oshiro, Chair

Date: Friday, February 25, 2011, State Capitol Conference Room 308, 1:30pm.

Re: HB 1092 HD1 Proposed A and B

Chair Oshiro and Committee Members. My name is Deana Shelby and I teach computer skills to Workman's Comp recipients. As the funding for this has dried up I haven't had a student since Dec '09. Therefore my income is limited to my retirement savings. I am opposed to HB 1092 HD1 Proposed A and B because:

- Though this bill targets pensions of wealthy retirees, I fear that the pensions of moderate and lower income retirees will be targeted if the $114 million goal is not reached.
- Future changes to any law that taxes pensions may unfairly place the burden of fixing the budget deficit on retirees like me, who live on a fixed income, but must constantly struggle with rising living expenses.
- Create a revenue generating bill that fairly taxes all forms of income. Please do not focus only on pensions.

Thank you for the opportunity to submit my testimony.

Deana R Shelby

Anahola on the east side of Kauai

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 6:55 PM
To: FINTestimony
Cc: rlhhawaii@aol.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Randall Hoffman
Organization: Individual
Address:
Phone:
E-mail: rlhhawaii@aol.com
Submitted on: 2/24/2011

Comments:
I am against the state taxing retired income. One of the main reasons I decided to retire in Hawaii after my 24 years in the Navy was no state tax on retirement pay. If bill passes and becomes law, I will have to give real consideration in moving to another state.
Even if that state has taxes on retirement, cost of living would be much less and my quality of life better.

I know that I currently put in my share of money into the economy and that would be lost if I move.

I would really like to continue living in the Hawaii, so please don't pass the bill.

Mahalo

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 5:10 PM
To: FINTestimony
Cc: dstedesco@gmail.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Donald Tedesco
Organization: Individual
Address:
Phone:
E-mail: dstedesco@gmail.com
Submitted on: 2/24/2011

Comments:
I am a senior citizen on a fixed income. My income comes mainly from my pension. I am totally against taxing this income. I worked for many years as a teacher and one benefit was to get a pension. I live in Hawaii because the state has not taxed this income. If the bill passes, I would have to sell my home and move to a state where pensions are not taxed. That would be a shame since I love living this is wonderful place called Hawaii. I would only support taxing pensions above $100,000. That is proposed in an amended bill. Please help the seniors maintain their lifestyle - we live on a fixed income and with rising prices in every phase of our life, this tax would be the end for many of us.
Thank you for your kind attention to my remarks and I hope and pray the legislative will do the correct thing in defeating this bill.
Sincerely,
Donald S Tedesco

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 5:12 PM
To: FINTestimony
Cc: ndennison@earthlink.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Nancy Dennison
Organization: Individual
Address:
Phone:
E-mail: ndennison@earthlink.net
Submitted on: 2/24/2011

Comments:
Please consider how difficult it is to live on a fixed pension income when all other costs are rising, including the insurance premium deducted from my gross pension. Just in the past 5 years the deduction for medical insurance increased by $145.18/month ($1,742.16/yr). The motor vehicle registration for our 2003 pick-up truck was $241.13 (up $77.25 from last year). Gas on Maui is now over $4/gal. It is bad enough that the federal government taxes even part of my social security. A state income tax on our pension income, which is our primary source of income, would probably force us to sell our home and move to the mainland. This would be a terrible thing for us because we love Hawaii so much.

To: House Committee on Finance, Representative Marcus R. Oshiro, Chair
Date: Friday, February 25, 2011, State Capitol Conference Room 308, 1:30pm.
Re: HB 1092 HD1 Proposed A and B

Chair Oshiro and Committee Members. My name is Tracy Davidson and I am a grandparent raising grandchildren and live in the district 7 area. I am opposed to HB 1092 ·

This bill is not good! It targets retiree pensions, and I need assurance that all other income generation options are also being considered.

I am very concerned that if required revenues are not generated, then the state will then want to tax the pensions of moderate and lower income retirees, to get the revenues to fix the budget.

This is not a fair approach to generating revenues to fix budget problems.

Future changes to any law that taxes pensions may unfairly place the burden of fixing the budget deficit on retirees, who live on a fixed income, but must constantly struggle with rising living expenses.

How about cutting the government in half, this will definitely help the budget! Too many people in the government now anyway. We want less government. This will cut the budget now and for the future!

Thank you for the opportunity to submit my testimony.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 5:43 PM
To: FINTestimony
Cc: yoshitomt001@hawaii.rr.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Kathleen Yoshitomi
Organization: Individual
Address:
Phone:
E-mail: yoshitomt001@hawaii.rr.com
Submitted on: 2/24/2011

Comments:
1. Oppose both proposed drafts of the bill. 2. State retirees who remained in the contributory plan were pretaxed by the State on their contributions to the retirement system. This translates to a double taxation. 3. Government needs to downsize. Consolidation of Departments, Divisions, and Branches need to occur. The role and functions of State government need to be reviewed as to relevancy to the current century that we are in. Functions that are no longer relevant or can be or are provided by the private sector should be eliminated. Government cannot be all things for all people.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 5:46 PM
To: FINTestimony
Cc: bernie5miranda@gmail.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Bernice Miranda
Organization: Individual
Address:
Phone:
E-mail: bernie5miranda@gmail.com
Submitted on: 2/24/2011

Comments:
Pensions of retires should not be taxed. Don't take what was promised to us to pay for an inefficient government. Our governor's plan is frightful and very concerning.
Our State government operates inefficiently/wasteful of tax payers money --to expand/develop new programs/departments when we are operating at a deficit does not make sense.--To annually pour money into this black hole consistantly producing costly and poor outcomes should be of grave concern to the legislature. It may be prudent as stewards of taxpayer funds to have programs audited regularly starting with the divisions in the Department of Health. I am a democrat-- I vote democrat-but I am concerned about this administration. I thought they would recommend restructuring gov. to become sustainable and efficient--buts it's more of the same--in fact bigger. We need your help to make sound-rational decisons during these times.
Aloha and Thank you!

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 4:33 PM
To: FINTestimony
Cc: ptoyama821@aol.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Teresa Toyama
Organization: Individual
Address:
Phone:
E-mail: ptoyama821@aol.com
Submitted on: 2/24/2011

Comments:
I was born and raised in Hawaii. I left for college in 1966, and although I live in California now, I still consider Hawaii my home. In 2007, my wife and I realized a long time dream of owning a little piece of Aloha when we purchased our timeshare on Maui. Our family does not have the room for us to stay with them when we visit, so we thought the timeshare a perfect solution. We usually spend about 16 days visiting family on both Maui and Oahu. We are not wealthy people, which is why we come every two years - so that we can save up to go home to the Islands I love.

If you pass HBs 809, 1163, 1092, and SB 1319, all of which significantly increase my TAT taxes, I may have to sell my timeshare and stop visiting my family. At the very least, I will have to cut my visits short. The economy is tough right now, believe me, living in California where the unemployment rate is over 12%, I know how hard times can be. But this is not the answer. When I come to Hawaii with my family, we support the local economy and love doing so. To be faced with such a large tax increase is very alarming and disheartening!

Please do not support these bills. They not only are unfair to us because we already pay property taxes on our timeshare, but I consider it a slap in the face. It is said (and I believe it) that Hawaii timeshare owners are the most loyal, stable and dependable visitors; they contribute significantly to the community in which they stay, and in turn to the State's economy. Personally, that means a lot to me, considering I have many brothers, sisters, nieces, nephews, auntys and uncles living in Hawaii who depend on the tourist trade.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 4:24 PM
To: FINTestimony
Cc: snomura@comcast.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Suzanne Nomura
Organization: Individual
Address:
Phone:
E-mail: snomura@comcast.net
Submitted on: 2/24/2011

Comments:
We are a timeshare owner and have been coming to Hawaii for the past 10 years and consider Hawaii the place to get away from all the pressure. As it is we save up every year to visit. But with this proposed increased, (HBs 809, 1163, 1092 and SB 1319) we will need re-look at the finances.

With the money we spend in Hawaii, I would think that would help the Hawaiian economy, now with potentially less money in our pockets, using our timeshare to trade to places closer to home will look more attractive: cheaper Airfare, food, & entertainment.

Please vote NO on these bills.

Regards,
Suzanne Nomura
Greg Forrest

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 3:26 PM
To: FINTestimony
Cc: gaildocken@shaw.ca
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Gail Docken
Organization: Individual
Address:
Phone:
E-mail: gaildocken@shaw.ca
Submitted on: 2/24/2011

Comments:
As a Timeshare Owner, I'm asking you to please vote no to this Bill. It doesn't make any financial sense to us, to continue visiting your state, if you do.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 2:29 PM
To: FINTestimony
Cc: arakakie003@hawaii.rr.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Earl Arakaki
Organization: Individual
Address:
Phone:
E-mail: arakakie003@hawaii.rr.com
Submitted on: 2/24/2011

Comments:

Representative Marcus Oshiro and members of the House Finance Committee, I Testify in opposition to House Bill 1092 in any form.

Governor Abercrombie described the states budget situation by using the analogy that everyone needs to paddle a sinking canoe implying retirees are not paddling. That is not true.

After decades of excluding all pension income, the Governor now says it is time to make the tax code "fair." The Governor says "we are all in the same canoe…" implying elderly pensioners are not doing their share and we are sitting with our arms folded as others paddle. I have been paddling his proverbial canoe for over 50 years via various state taxes. I was unaware I wasn't paying my share until Governor Abercrombie said so. Like all citizen/paddlers, retiree/paddlers pay GET including money for rail on everything we purchase. However, after decades of paddling, retiree-paddlers tend to need medical attention more than when they were younger and are taxed for getting sick when visiting the doctor, then taxed for prescription drugs, taxed for vision care, taxed for dental care. Since retiring I pay increased taxes for food, increased taxes for gasoline, pay the highest electricity rates in the country, higher property tax, higher sewer fees, increases in vehicle registration which will again be increased this year. I paid a GET when I purchased a cell phone and now pay a monthly 911 fee. Also, deposit fees on my beverage containers, and now you want to take away 10 percent of my pension income that I earned with 28 years of service with the Honolulu Police Department. Where am I supposed to replace this 10 percent take away of my pension?

When I decided to retire, I sat down and carefully reviewed all of my expenses and all my income. Now that I am retired you want to take away part of my income that used to pay this states ever increasing expenses.

Governor Abercrombie is wrong. I paddled my share and then some. I helped get this canoe to where it is today by paddling hard.

The Governor said "our canoe is being swamped." When a canoe is in danger of being swamped you take a bailer and lighten the load. Not increase the load with by submitting a bloated state budget. The canoe is sinking and the Governor wants to increase the load at the expense of retirees in the form of a tax on pensions.

I asked this committee not to pass HB1092 in any form.

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 2:05 PM
To: FINTestimony
Cc: brunabyrne@comcast.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Jeff and Bruna Byrne
Organization: Individual
Address:
Phone:
E-mail: brunabyrne@comcast.net
Submitted on: 2/24/2011

Comments:
WE NEED YOUR HELP!!

We were just made aware of new bills that will negatively affect us.

We are strongly opposed to HB's 809 and 1092, which propose to raise the TAT for timeshare owners.

The large increase in the TAT would increase my ANNUAL maintenance fee from $3600 to close to $4000!! This is ridiculous. Maintenance fees have been increasing every year due to the economic downturn. Owners inability to pay these fees have resulted in many losing their timeshares. This hike may do the same to us preventing us from our annual trips.

Five years ago, our family made a financial commitment to spend our vacations in Hawaii. Some years we spend several weeks vacationing there. I believe we not only support our local Hawaiian communiites but also contribute to the sustainability of the visitor industy. We are "buying locals" and for this we are being assessed a transient tax for a unit that we already own? As a Hawaii taxpayer, I am disturbed that the timeshare is being singled out for an almost 400% increase. We strongly oppose this tax and any increase to it and ask you to hold any bills which propose to increase any tax on timeshare users.

Please support us. We love Hawaii and want to continue to come vacation there.

Sincerely,
Jeff and Bruna Byrne
Owners at Princeville Ocean Resort Villas

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 1:25 PM
To: FINTestimony
Cc: gweitzel2@comcast.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Greg Weitzel
Organization: Individual
Address:
Phone:
E-mail: gweitzel2@comcast.net
Submitted on: 2/24/2011

Comments:
I am writing to ask you to defeat HB 809. I have several timeshare intervals in Hawaii and these tax increases will cause great difficulty for me and my family.

The current economy has already depressed the value of timeshares in Hawaii. Rising fees and taxes have contributed to depressing the prices while putting the value and affordability of timesharing at risk.

The ebay market for timeshare resales has many resorts for sale that go unpurchased even when the opening bid is $1. It is approaching the point where it costs money to give away a timeshare interval! Adding more costs to ownership at this time could be devastating to the entire industry and even result in a loss of revenue as people lose or abandon their properties.

Thank you for your consideration.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 1:28 PM
To: FINTestimony
Cc: Andrew@andrewmeyer.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: andrew Meyer
Organization: Individual
Address:
Phone:
E-mail: Andrew@andrewmeyer.com
Submitted on: 2/24/2011

Comments:
I have visited Hawaii from teh East coast 37 times. I have been a timeshare owner for 5 years. This is an unfair tax and I will have to consider purchasing additional timeshare elsewhere where I don's have to Pay for use of my own property which I already pay property taxes on. I will use my points to visit other places adn not occupy the Hawaii locations if these measures are passed. This is double taxation and for a state that relies heavily on tourism, this is anti tourist. feel free to contact me if you want additional information or if you want a tourist who loves Hawaii and travels 11 hours at least once a year for the past 25 years, feel free to contact me. please don't chase me from my favorite place in the world. thank you

andrew Meyer

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 1:06 PM
To: FINTestimony
Cc: waynoflkeys1@msn.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: wayne and marjorie hanson
Organization: Individual
Address:
Phone:
E-mail: waynoflkeys1@msn.com
Submitted on: 2/24/2011

Comments:
increasing the TAT tax on timeshare holdings is an exorbitant increase. this would increase our taxes by 300%. we as timeshare owners spend a minimum of two weeks each year in hawaii and spend lots of money there as well. if this law is passed, as a tax increase, we will be forced to sell our timeshare unit and NEVER visit Hawaii again.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 4:23 PM
To: FINTestimony
Cc: paul.lotts@comcast.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Paul Lotts
Organization: Individual
Address:
Phone:
E-mail: paul.lotts@comcast.net
Submitted on: 2/24/2011

Comments:
As a recent timeshare owner in Kauai, I am troubled to learn that an accelerate tax is being proposed in the subject bills to "penalize" timeshare owners, like myself, who can barely defend themselves as out of state residents. I bought my timeshares thinking that Hawaii was hospitable to out of state owners who love this land and its people. This put a chill on our relationship and makes me wonder whether I should just divest myself of property in Hawaii and go to the Caribbean where this is not the case.
I urge you to vote against these bills and retain Hawaii as the place to go and own property.

Thank you,

Paul & Jeri Lotts
42 Bridgeberry Place
The Woodlands, TX 77381
281-419-8128

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 3:27 PM
To: FINTestimony
Cc: iengel@sbcglobal.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Isabel J Engel
Organization: Individual
Address:
Phone:
E-mail: iengel@sbcglobal.net
Submitted on: 2/24/2011

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 1:00 PM
To: FINTestimony
Cc: garrypsmith@juno.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Garry P. Smith
Organization: Individual
Address:
Phone:
E-mail: garrypsmith@juno.com
Submitted on: 2/24/2011

Comments:

I strongly oppose taxing of pensions in any amount and at any level.

The state has not taxed pensions for over 40 years. Why the sudden need to impose a new tax that will take money away from the vulnerable elderly. The only change is that we just now elected a Governor who wants to start new programs and fund old programs. Gov. Abercrombie wants to increase the state budget by 5% and wants to take 10% of my pension to pay for it.

If you tax our pensions where will go to find the money to replace what has been taken? I'm too old to go back to work. I don't want to be forced to work at McDonalds or be a greeter at Walmart just to pay my new state taxes.

I know some legislators say we need to make it fair for all pensioners. O.K. then don't tax the other pensioners, taxing me doesn't make it fair.

I'm not a wealthy pensioner as Gov. Abercrombie has dubbed us nor am I a greedy geezer. I pay plenty in taxes now, no one in Hawaii gets away without paying taxes.

The new Governor will just be after us again next year for more money. He needs to learn to live within his means and not go after those who have given their all to the state and the nation.

Please do not impose this tax on us pensioners.

If you need the money it is readily available in the rail transit fund. Just borrow that money and pay it back later. Rail is under legal threats and will not be started for years.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 12:28 PM
To: FINTestimony
Cc: johngaillau@hawaiiantel.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Johnson Lau
Organization: Individual
Address:
Phone:
E-mail: johngaillau@hawaiiantel.net
Submitted on: 2/24/2011

Comments:
I am a State government retiree testifying in opposition to both HB 1092, HD1, proposed A and B versions.
The taxation of pension income, including government retiree pensions, is fundamentally unfair.
The proposed tax violates a long-standing State tax policy that pension income would not be subject to income taxation as provided under section 235-7 Hawaii Revised Statutes.
This administration-sponsored proposal also disproportionately targets retirees to offset the estimated $700 million budget shortfall.
Given the current employment situation, the proposed tax will impact those least able to go back to work to meet the ever rising living expenses and to pay the proposed tax.
Thank you for the opportunity to submit testimony on these proposed bills.

FINTestimony

n: mailinglist@capitol.hawaii.gov
...it: Thursday, February 24, 2011 12:46 PM
To: FINTestimony
Cc: karen@aloha12.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM
Attachments: TAT.docx

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Karen Webber
Organization: Individual
Address:
Phone:
E-mail: karen@aloha12.com
Submitted on: 2/24/2011

Comments:
Aloha,

I'm a timeshare owner at the Westin Kaanapali Villas North. I spend 2-4 weeks there every year. While on Maui we spend money in the community. We eat at Fred's Tacos in Kihei, ...ma's Fish House in Paia, Aloha Mixed Plate in Lahaina, Outback in Lahaina, Pacifico's in ...aina, Cheeseburger in Paradise in Wailea and lots of other restaurants. We eat breakfast at CJ's in Kaanapali every morning. They know us by name. We shop Costco, Kmart and Wal-Mart for food, toiletries and other necessary items. I buy shoes, clothing and jewelry every year. I'm not a typical tourist in that I rarely spend time at the resort. This year I'm thinking about buying a ukulele (not a souvenir—a nice one with good musical tone) and taking some lessons while I'm there. I've made a long-term commitment to Maui by purchasing real estate. I love the island and want to return year after year.

HOWEVER, I'm seriously thinking of spending my vacations elsewhere. Maui doesn't seem to appreciate my business. They are constantly thinking of ways to further tax me. My time share association had to spend big bucks fending off a huge and unfair tax increase just recently. I'm weary of being a tax target. I'm weary of wondering if I can afford my fees every year. I have been looking into spending my time in Mexico. They want my disposable income. They are practically begging me to come there by making it affordable. Their weather is similar and they have some beautiful beaches too. I'm from Southern CA so I know a little Spanish.

I want to continue to say Aloha, but I have might have to say Asta la vista, Maui.

If you are a legislator who had tried to protect my interests by voting against taxing me, I say a big THANK YOU and encourage you to keep up the fight. I appreciate it.

Sincerely,

...aren Webber
...oha West Insurance Agency
2850 Pio Pico Drive, Suite E, Carlsbad, CA 92008 PO Box 128 Carlsbad CA 92018 Phone 760-547-2626 Fax 760-547-2627 Toll Free 866-902-5642 karen@aloha12.com www.alohawestinsurance.com

FINTestimony

)m: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 6:25 AM
To: FINTestimony
Cc: fariag001@comcast.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Gary Faria
Organization: State of Hi. retiree (HPD)
Address:
Phone:
E-mail: fariag001@comcast.net
Submitted on: 2/24/2011

Comments:
Why are you picking on the retirees who live on a fixed income? You want more money, raise the sales tax....or are you afraid of offending somebody?

FINTestimony

m: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 6:35 AM
To: FINTestimony
Cc: lindakoop@windstream.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Francis & Linda Koop
Organization: Individual
Address:
Phone:
E-mail: lindakoop@windstream.net
Submitted on: 2/24/2011

Comments:
We strongly oppose this bill which would significantly increase the transient accommodations tax (TAT) for timeshare owners in Hawaii. This bill proposes to bring the taxation of timeshare units in line with all other transient accommodation rentals. Therein lies the problem, our timeshare when rented out is already accessed the full 9.25% TAT rate. However, when we occupy the unit-for which I already pay real property taxes, GET and other management d maintenance fees- I am still assessed an occcupancy tax. Only in Hawaii and nowhere se. Now the legislature and Governor are proposing to significantly this tax! I am requesting that before you vote on this issue you take all the facts into consideration.
FACT: Hawaii timeshare owners already pay higher maintenance fees and taxes than for timeshares on the mainland.
FACT: Hawaii timeshre owners are loyal, stable and dependable visitors.
FACT Hawaii timeshare owners contribute significantly to the communities in which they stay and in turn to the State's economy.
FACT: Hawaii timeshare owners are already required to pay to stay in their real property which they already paid for.
FACT: Hawaii timeshare owners unlike most hotel guests keep on returning year after year even when times are bad.

I would think that Hawii's tineshare owner is the kind of visitor that you would want to support and encourage, not tax! Please Vote NO on this bill. Thank you Linda & Francis Koop, Timeshare owner.

FINTestimony

(n: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 8:06 AM
To: FINTestimony
Cc: heather321@sbcglobal.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Anthony H. Jackson
Organization: Individual
Address:
Phone:
E-mail: heather321@sbcglobal.net
Submitted on: 2/24/2011

Comments:
I am writing to express my opposition to this bill with will increase taxes for property I own in Kauai,Hawaii. Increases in the transient accomodation tax and changes to the fair markey value calc would make it very cost prohbitive to maintain our "vacation home". I urge you to oppose the bill. Thank you for your consideration. Anthony H. Jackson (216) 990-4433

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 10:07 AM
To: FINTestimony
Cc: wpcollins@aol.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: william p collins
Organization: Individual
Address:
Phone:
E-mail: wpcollins@aol.com
Submitted on: 2/24/2011

Comments:
As a Hawaii resident for the last 28 years and a retired resident for the last 11 years I opposed the taxation of pensions as outlined in HB 1092. I have paid my fair share of taxes for this state over the last 28 years. My Property taxes, vehical registation fee, sewer charges, sewer fees, gas, gas taxes, tax for the rail system,are all overwhelming for a person on a fixed income. Now you want to make it even harder to live here by imposing a tax on pensions When will it ever end. How do you expect a person who planned to live in Hawaii on his/her retirement to support this Bill. Please hear my plea and the plea of all retired people who are on a fixed income and vote down this Bill.

Very Respectfully,

William P. Collins
Ewa Beach, Hawaii 96706

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 11:41 AM
To: FINTestimony
Cc: ujludwig@yahoo.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Ulysses Ludwig
Organization: Individual
Address:
Phone:
E-mail: ujludwig@yahoo.com
Submitted on: 2/24/2011

Comments:
You tax your visitors then we won't come - ultimately you will errode the value of our properties to a point where you can't legally collect taxes because the valuation will be incorrect. Currently our timeshares a worth 1/3 what they were 6 years go - your taxes simply transfer the value of our property to you and in the end there's no value to tax. Be reasonable and remember that we, as your guests, do have choices, Costa Rica is starting to be a great alternative. I'd rather see the state of Hawaii fix it's fiscal problems such as employee pensions instead of overtaxing your increasingly unappreciated guests.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 23, 2011 4:54 PM
To: FINTestimony
Cc: cappod@gmail.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Danny Cappo
Organization: Individual
Address:
Phone:
E-mail: cappod@gmail.com
Submitted on: 2/23/2011

Comments:
To whom it may concern; I am a retired HPD police detective with 30+ years of service. If this bill is passed and becomes law it will place a heavy financial burden on me and my family. My pension helps to support my son and daughter who are away at college in higher education. This will force me to look for other avenues of financial support. Please take this in to consideration. I'm sure there are many of us in a similar financial situation and worse! We only want what was promised to us no more no less! Mahalo nui loa!

FINTestimony

.m:	mailinglist@capitol.hawaii.gov
sent:	Wednesday, February 23, 2011 7:55 PM
To:	FINTestimony
Cc:	karl.godsey@gmail.com
Subject:	Testimony for HB1092 on 2/25/2011 1:30:00 PM
Attachments:	Dear Representative.docx

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Karl Godsey
Organization: Individual
Address:
Phone:
E-mail: karl.godsey@gmail.com
Submitted on: 2/23/2011

Comments:

February 23, 2011

Dear Representative:

I am a retired public employee that served as a police officer in Honolulu for more than 30 years. I am a college graduate that joined the Honolulu Police Department knowing that I could make much more money in the private sector. This is true for most of the men and women who undertake a career in public service. I also knew that public service is an honorable profession and felt that I could and would serve my community well in helping protect it. The one plus that all of us who served were recruited with was that upon completion of our career we would enjoy a great health plan and no state tax on our retirement income.

Isn't this a contract between the public employees and the government? I am sure that most public employee retirees see it as such.

I understand that there is a deficit; however, the deficit should not be made up on the backs of the retired public employee population. Further, prior to 1987, we paid state income tax on our retirement contributions. Are we to be taxed again for the same monies? Hawaii already has one of the highest rates of income taxation in the nation.

I would sooner see an increase in gasoline tax, tax on alcohol and cigarettes than an increase in income tax. These are all areas of choice. Raise the excise task a ½%, at least this is not focused on those with fixed incomes. Raise fees – again an area of choice – but do not increase taxes on those of us who planned carefully for a retirement on a fixed income.

Remember, there are many of us and we do vote.

Respectfully,

Karl Godsey

Hawaii Kai

m: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 23, 2011 7:32 PM
To: FINTestimony
Cc: kiamanu@hawaiiantel.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: T. Merrill
Organization: Individual
Address:
Phone:
E-mail: kiamanu@hawaiiantel.net
Submitted on: 2/23/2011

Comments:

m: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 23, 2011 7:55 PM
To: FINTestimony
Cc: sassylady3128@yahoo.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Lisa Reed
Organization: Individual
Address:
Phone:
E-mail: sassylady3128@yahoo.com
Submitted on: 2/23/2011

Comments:
I am strongly against this bill. Pension income should not be taxed. That income was taxed already before it was put into the retirement account. It also hurts senior citizens who barely scrape by. All seniors planned their retirement expenses around a budget where pensions were NOT taxed. This also is a benefit promised by contract and is subject to lawsuits. Balancing the budget on the backs of seniors who are LEAST able to afford it is t fair. It is more fair to do it to ALL EQUALLY by possibly hiking the GET a fraction .stead. Cut spending on the budget first before raising taxes. Stop supporting lazy drug addicted welfare sponges by forcing passage of urine tests before welfare and food stamps are paid.

FINTestimony

m: mailinglist@capitol.hawaii.gov
nt: Wednesday, February 23, 2011 8:21 PM
To: FINTestimony
Cc: jonkauai@jonkauai.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM
Attachments: Testimony.docx

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: John Glover
Organization: Individual
Address:
Phone:
E-mail: jonkauai@jonkauai.com
Submitted on: 2/23/2011

Comments:
The people of Kauai and Hawaii cannot afford any new taxes, especially the retirees of Hawaii. Cut spending and don't increase taxes. The retirees of Hawaii are an economic stabilizer and if you drive them away with new taxes the taxes and money they provide will be gone with them forever. Do we want to end up with a taxbase that takes and doesn't have ything to give.

Testimony

The people of Kauai and Hawaii cannot afford any new taxes, especially the retirees of Hawaii. Cut spending and don't increase taxes. The retirees of Hawaii are an economic stabilizer and if you drive them away with new taxes the taxes and money they provide will be gone with them forever.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 11:51 AM
To: FINTestimony
Cc: chezfed@att.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: IGOR V FEDOROFF
Organization: Individual
Address:
Phone:
E-mail: chezfed@att.net
Submitted on: 2/24/2011

Comments:
The transient tax imposed on Hawai'i timeshare owners is becoming a disincentive to my wife and I spending as much time as we have been spending on the island of Maui (three weeks this year). We own timeshares in California, Arizona and Colorado. In no other state have we ever been imposed a transient tax. We felt somewhat slighted by the State of Hawai'i when we first started visiting one of our two Maui timeshares and realized we were being treated akin to hotel guests instead of the property owners we believe we are. Please do not add insult to injury by increasing the TAT further. We certainly will at some point reconsider not only our frequency and length of visits, but also whether we wish to continue to be homeowners at our home resorts in Maui if the TAT continues its upward trend.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 11:50 AM
To: FINTestimony
Cc: pamleesmith@gmail.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Pam Smith
Organization: Individual
Address:
Phone:
E-mail: pamleesmith@gmail.com
Submitted on: 2/24/2011

Comments:
I oppose this tax. It burdens people who have planned their lives based on no tax. These people still pay taxes on investments, other income and the ever present excise tax on every nickle they spend in the state. If you begin to tax pensions you may lose a large portion of that"other revenue as pensioners will simply leave the state.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 11:48 AM
To: FINTestimony
Cc: mtsou@hawaii.rr.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Mark Tsou
Organization: Individual
Address:
Phone:
E-mail: mtsou@hawaii.rr.com
Submitted on: 2/24/2011

Comments:
I oppose any increase in my timeshare TAT taxes. This tax discriminates against timeshare owners because if I owned a second vacation home or condo unit in Hawaii I would not have to pay this tax. But like them and all other owners of real property in Hawaii, I also pay real property, GET and conveyance taxes on my timeshare. Why should I also have to pay a transient tax to occupy the unit I have already paid for and own?

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 11:46 AM
To: FINTestimony
Cc: jdg@s-a-cpa.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: John D Grant
Organization: Individual
Address:
Phone:
E-mail: jdg@s-a-cpa.com
Submitted on: 2/24/2011

Comments:
Dear Honorable Sirs and Ladies,

My name is John Grant. My wife, Susan, and I purchased property timeshares in both the County of Maui and the the County of Kauai several years ago. We are from Indiana and now consider Hawaii our second home, at least for several weeks a year. Susan is now retired and I will be soon.

I understand the certain bills are now in front of you for consideration that will raise the state transient accommodations tax rate (TAT) 2% and triple the fair market value of the assessments base from 50% to 150%.

In our case this will raise the TAT we pay from $165 per year to $632 per year! A projected 383% increase!

We're just one couple owning two, one week double lockout timeshares. And the TAT portion of our costs is to increase $467 a year?

I am a CPA who reads extensively and understands the economic problems of both our country, Hawaii and Indiana in particular.

You have a tough job to do and we understand the need for additional revenue, assuming you have used best efforts to reduce spending as well.

But this kind of tax increase on a small segment of your "part-time resident" population is confiscatory.

Susan and I are willing to pay a fair share in making Hawaii solvent, but these proposals ask too much.

Please remember that we pay "full retail" when we are there and these extra "sunk" costs will reduce our budget accordingly.

So in the end I expect that folks who serve us at the pool or at dinner will see less in tips, making their earnings less and the current, difficult employment situation worse.

We respectfully request that you vote "NO" to these tax increases.

Thank you.

John D Grant

876 Briarwood Drive
Greenwood, IN 46142

TESTIMONY OF KAPONO BEAMER

HEARING DATE/TIME: Friday, February 25, 2011
1:30 p.m. in Conference Room 308

TO: House Committee on Finance
RE: Testimony re HB 1092 (HD1 Proposed A) and HB 1092 (HD1 Proposed B)

Dear Chair, Vice-Chair and Committee Members:

My name is Kapono Beamer, and I am a local composer and recording artist. I have been in the music business in Hawaii for over 35 years.

I strongly oppose PART III, SECTION 6 of HB1092 (HD1 Proposed A) and HB1092 (HD1 Proposed B). I do think it is wise to offer a tax exemption to creators and authors of performance arts products such as music recordings.

Why do visitors come here? Our visitors want to have a Hawaii experience; to feel and connect to the spirit of our land and the Aloha in the hearts of our people. They want to experience something uniquely Hawaiian. Do they come for yet another Gucci or Prada or Louis Vuitton store; an experience available at any number of shopping malls all over the world?

Throughout the years many people have spoken to me sincerely. They tell me how my music has touched them in a unique and profound way. They speak of a special place in their hearts where songs like "Honolulu City Lights" and "Sea Breeze" remain. They say things like "No matter where I travel to, I always think about your songs and long to be back in Hawaii". I am only one of many artists who hear similar stories about songs they have written and recorded. This is the immeasurable contribution to our State by those who labor in the music business to produce these performance arts products. This is a tremendous resource with which to market our State. The artists need your kokua.

Do we want to build our economy through the promotion of tourism? If so we need to promote Hawaii's unique cultural arts and resources.

By supporting our local royalty artists and creative community we are enriching and growing the very resources we need to grow our economy.

Respectfully submitted,

/s/ Kapono Beamer

Kapono Beamer, Honolulu

FINTestimony

m: Ricco [riccoruby@yahoo.com]
Sent: Wednesday, February 23, 2011 9:33 PM
To: FINTestimony
Subject: Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM *

To Whom It May Concern,

I have recently retired from the HPD with 25 years of service. I believe a dis-service will be done to those of us that have retired, living on a fixed income and not expecting the expense of being taxed by the State on our pensions. The annual taxation proposal amount on single and joint pension incomes are not taxing the wealthy. The amount minimums are for the average pension holder. Please re-consider your position on this matter.

Cordially,

Retired HPD Sergeant Grant Patrick Moniz

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 25, 2011 7:17 AM
To: FINTestimony
Cc: swartzg001@hawaii.rr.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: gregory swartz
Organization: Individual
Address:
Phone:
E-mail: swartzg001@hawaii.rr.com
Submitted on: 2/25/2011

Comments:
I am totally opposed to both HD 1 Proposed A and HD 1 Proposed B to the extent that they tax pensions and reduce the deductibility of State income taxes. Imposing a tax on the pensions of currently retired persons is unfair. We planned our retirement on the basis of income and expenditure estimates (including taxes) which the State will now throw out the window, causing serious harm to seniors and the disabled. This is unconscionable. The same goes for reducing the deductibility of State income taxes, particularly when you are raising income taxes in the same bill. In any event, the income thresholds in Proposal B are ridiculously low and even Proposed B are too low. The thresholds should be set at $125,000, $150,000, and $175,000 for individuals, heads of households, and joint filers, respectively. It is unfair to double the threshold for joint filers who already receive better tax treatment. The same increase in thresholds should be applied to the State income tax deduction if this needs to be passed.

An increase in the GET or income taxes overall would be fairer to everyone concerned, without singling out the elderly and disabled.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 25, 2011 7:07 AM
To: FINTestimony
Cc: bmi752@yahoo.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Brad Ivie
Organization: Individual
Address:
Phone:
E-mail: bmi752@yahoo.com
Submitted on: 2/25/2011

Comments:

FINTestimony

From:	mailinglist@capitol.hawaii.gov
ent:	Friday, February 25, 2011 2:14 AM
fo:	FINTestimony
Cc:	jopaldi@yahoo.com
Subject:	Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Joseph Paldino
Organization: Individual
Address:
Phone:
E-mail: jopaldi@yahoo.com
Submitted on: 2/25/2011

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 25, 2011 1:26 AM
To: FINTestimony
Cc: lechbilt@gmail.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: bill Lech
Organization: Individual
Address:
Phone:
E-mail: lechbilt@gmail.com
Submitted on: 2/25/2011

Comments:

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 9:14 PM
To: FINTestimony
Cc: aklimke@hawaii.rr.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Anne Klimke
Organization: Individual
Address:
Phone:
E-mail: aklimke@hawaii.rr.com
Submitted on: 2/24/2011

Comments:
I am opposed to this bill, especially the tax on retiree pensions.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 8:14 PM
To: FINTestimony
Cc: jonesb001@hawaii.rr.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Billy G Jones
Organization: Individual
Address:
Phone:
E-mail: jonesb001@hawaii.rr.com
Submitted on: 2/24/2011

Comments:
Being fully retired puts a family on a fixed income. This has been my status since 2002 and I will shortly lose my Thrift savings income due to it's depletion. Now you want to change the rules and add a state tax, this will drastically affect my lifestyle. Guess I could go back to work to make the Gov happy. How many jobs are available for a 73 year old man with arthritis? Thanks for the stupid attempt at reneging on a benefit that has been around since statehood.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 24, 2011 8:06 PM
To: FINTestimony
Cc: changkwaix@aol.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Kevin Chang
Organization: Individual
Address:
Phone:
E-mail: changkwaix@aol.com
Submitted on: 2/24/2011

Comments:
I oppose HB 1092 specifically because it eliminates the income tax exclusion for certain persons involved in copyrights.

This section imposes an extra burden on Hawaiian musicians many of whom are poor or near poor whom perpetuate the culture and spirit of the people of Hawai'i.

Mahalo

TESTIMONY IN OPPOSITION TO HB1092

I am a retired Honolulu Police Department detective who, for the entire span of my career, was, without option, required to participate in the CONTRIBUTORY ERS PROGRAM whereby 12.2 percent of my pay was taken in return for a 3% interest. All monies in excess of 8% annually earned by ERS were turned over to the GENERAL FUND. The State of Hawaii, in return, GUARANTEED my pension.

Not to be satisfied with just the above mentioned funds the legislature and executive branch of the government of the State of Hawaii has repeatedly taken "loans" from the funds of the ERS which totaled in the BILLIONS of dollars. The state gave us their guarantee that the loans would be repaid. These monies, taken from me and my ilk, can never be repaid. The unfunded liability to the ERS because of this constant irresponsible and, some would opine, criminal qction on the part of the State of Hawaii threatens our very livelihood.

And now, as a final insult, you propose to balance your budget on our backs once again by taxing our pensions and reneging on your health care obligations to us. We entered into a contract with the State of Hawaii. In return for SUBSTANDARD SALARIES, we agreed to forego higher salaries in return for security in our senior years. We fulfilled all of our obligations.

Now, it seems, that the Governor and the Legislature propose to not only change the rules of that contract, but also seek to change your obligations to those who have already completed their obligations and are now reliant upon the ERS for their incomes.

Instead of attempting to generate more income on our backs, and increasing your spending by $300 million dollars, I propose that the State of Hawaii, like we who survived on substandard pay in return for a promise of a pension and health care, tighten their belts and be more frugal with what they already earn. STOP SPENDING MONEY YOU DON'T HAVE. STOP RAIDING THE ERS. DO NOT LOOK TO THOSE FROM WHOM YOU HAVE ALREADY TAKEN SO MUCH TO BAIL YOU OUT.

EVERYONE KNOWS YOU CANNOT CHANGE THE RULES OF THE GAME AFTER IT HAS BEEN PLAYED. YOU SEEK NOT ONLY TO CHANGE THE RULES; YOU SEEK TO ALTER THE SCORES OF GAMES LONG SINCE PLAYED AND IN THE HISTORY BOOKS.

Steven Perry

HB1092

Feb, 22, 2011

Reference: TAT increase

I am writing to ask you to please think long and hard before you vote on the considered proposal regarding the TAT increase. An increase from 2% to between 7.25% - 9.25% will be a hardship for many people. I know that my family will definitely have to reevaluate our timeshare and more than likely have to sell it if the tax increase includes our villa in Kauai. The amount that we currently pay each year just in taxes to use our timeshare one week out of the entire year is already more than what we pay in taxes for our home in Missouri. We do not have a lot of money but when we came to visit Maui two years ago we were so impressed with the beauty of the island that we decided that we wanted to share this experience with our children. We save everything we can to be able to travel to Hawaii for one week every other year and will not be able to afford this tax increase in addition to the airfare expense. I'm sure we are just one of many families that will have to sell out and this makes me very sad. Please do not vote for this tax increase.

With Regards,

Penny Heying

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

My name is Ed Hasegawa. I write in support of House Bill 1092.

I was an educator in Hawaii for 39 years and 10 months. I have been retired for nine years, and together with my wife, we live off our pensions. I have lived and worked in Hawaii all my life, and knowing the conditions and needs of the state right now, I support Governor Abercrombie's proposal to tax pensions like all other retirement income.

I am not rich, but I understand that I am more fortunate than others because I can afford to pay more. While we wait for our economy to fully recover there will still be more retirees than ever before. The state's pension system is a long-term issue for the state to address. We can't be shortsighted and think of just ourselves.

Thank you for this opportunity to provide testimony.

Aloha

Ed Hasegawa

3920 Hunakai St.
Lihue, HI 96766
February 24, 2011

To: House Committee on Finance, Representative Marcus R. Oshiro, Chair
Date: Friday, February 25, 2011, State Capitol Conference Room 308, 1:30pm.
Re: HB 1092 HD1 Proposed A and B

Chair Oshiro and Committee Members:

My name is Janice Bond and I am retired teacher living in District 15, Kauai. I am opposed to HB 1092 HD1 Proposed A and B because being retired, I am living on a fixed income, trying to keep up with the high cost of living expenses. This bill targets retiree pensions, and I need assurance that all other income generation options are also being considered.

The Governor wants to generate $114 million in revenues by taxing pensions. I feel I have worked hard for the pension I get to live on now. Taxing pensions is a quick fix, but not a fair approach to generating revenues to fix budget problems. Future changes to any law that taxes pensions may unfairly place the burden of fixing the budget deficit on retirees like me.

Thank you for the opportunity to submit my testimony.

Janice S. Bond
District 15, Precinct 4, Kauai

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 25, 2011 8:12 AM
To: FINTestimony
Cc: gr8reys@gmail.com
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Stewart Reynolds
Organization: Individual
Address:
Phone:
E-mail: gr8reys@gmail.com
Submitted on: 2/25/2011

Comments:
I don't have the corrected amount of emails sent but I had received notice that it was over 600 email sent As of Feb. 22 on the proposed bill Opposing this. We work hard and always pay what is owed every year and economy... our paychecks just don't go very far anymore. Hey - we have HEALTH INSURANCE! My family and I have made a financial commitment to spend our vacations in Hawaii. I know there were many people who just gave their timeshares back to the bank. Families are not asking you for a hand out but a hand up. Support is not in our ands. My belief is Large government thinking and deciding for us that has put us on the downward spiral. We don't want to be ones who have to follow this trend.

The government doesn't need just a freeze on salaries, government needs to cutting salaries.

We have way too much at stake for this country - "yes" costs and spending need to go down. The need is to increase jobs which will increase spending in all states not just in Hawaii. I truly "buy local" when I am and for this am being assessed a transient tax for staying in a unit that that I already own. No other owner of real property is subjected to pay an occupancy tax to occupy the real property they already own in Hawaii. No other state in the U.S. assesses such a tax on timeshare owners.

As a local timeshare owner, I believe we not only support our local communities, but also contribute to the sustainability of our visitor industry. I strongly oppose this tax and any increase to it and ask you to hold any bills which propose to increase any tax on timeshare owners.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 25, 2011 8:51 AM
To: FINTestimony
Cc: bmartinez@surewest.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Ben Martinez
Organization: Individual
Address:
Phone:
E-mail: bmartinez@surewest.net
Submitted on: 2/25/2011

Comments:
Aloha,

My name is Ben Martinez and I am asking for you to oppose HB 809, and HB1092 being heard today which would significantly increase the transient accommodations tax (TAT) for timeshare owners in Hawaii; my wife and I are owners. Supposedly, these bills propose to bring the taxation of timeshare units in line with all other transient accommodation rentals. The problem is that, my timeshare when rented out is already accessed the full 9.25% TAT rate. However, when I occupy the unit--for which I already pay real property taxes, GET and other management and maintenance fees--I am still assessed an occupancy tax. This happens only in Hawaii and nowhere else. Now the legislature and Governor are proposing to significantly increase this tax. Please help!

I am requesting that before you vote on this issue you take these facts into consideration:

FACT: Hawaii timeshare owners already pay higher maintenance fees and taxes than for timeshares on the mainland.

FACT: Hawaii timeshare owners are loyal, stable and dependable visitors.

FACT: Hawaii timeshare owners contribute significantly to the communities in which they stay and in turn to the State's economy.

FACT: Hawaii timeshare owners are already required to pay to stay in their real property which they already paid for.

FACT: Hawaii timeshare owners unlike most hotel guests keep on returning year after year even when times are bad.

Please vote NO on these bills to help us return to support Hawaii's economy.

Thank you for considering our request.

Ben and Julie Martinez,

Rocklin California Owners

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 25, 2011 9:28 AM
To: FINTestimony
Cc: keola@nahenahe.net
Subject: Testimony for HB1092 on 2/25/2011 1:30:00 PM

Testimony for FIN 2/25/2011 1:30:00 PM HB1092

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Joseph Keola Donaghy
Organization: Individual
Address:
Phone:
E-mail: keola@nahenahe.net
Submitted on: 2/25/2011

Comments:
I strongly oppose HB1092. This measure fails to acknowledge the significance of Hawai'i's creative industries and individuals, and the important work they do in providing a viable living to these individuals. It is a huge step backwards in trying to diversity Hawaiʻi's economic database, and while it may provide some minimal, short-term tax benefit for the state, the long-term affects will be devastating to an industry that needs to be nurtured, and not squeezed until dead. Please support our artists and defeat this measure.

Beverly A. Gotelli
6286 Opaekaa Road
Kapaa, HI 96746

House Committee of Finance
February 25, 2011
1:30 PM Room 308

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

I'm Beverly Gotelli a retired teacher speaking to HB 1092 HD 1 Proposal A. I believe this is a fairer amount for retirees. I believe if the Federal AGI is used than the amounts should be adjusted to a higher amount.

I agree under PART IV. TAXATION OF TRANSIENT ACCOMODATIONS AND OCCUPANCY that there should be an increase in the tax. This is something that would be fair to all who come to visit our islands. I believe this portion may have been missed when the TAT was last reviewed.

Thank you for the opportunity to testify and view my comments.

I support parts of this legislation.

To: House Committee on Finance, Representative Marcus R. Oshiro, Chair

Date: Friday, February 25, 2011, State Capitol Conference Room 308, 1:30pm.

Re: HB 1092 HD1 Proposed A and B

Chair Oshiro and Committee Members. My name is Kathryn Okazaki and I am retired and a caregiver for my mom and dad who are in their 90's. I live in the Aiea area. I am opposed to HB 1092 HD1 Proposed A and B because:

> I believe that taxing retiree pensions is a short term solution that will evolve into a bigger problem in the long run. Not only will it negatively impact the State financially but in other resource areas. It's like putting out a *brush fire today* and having to put out *a forest fire in the future.*
>
> People that retire, like me, have done projections to determine if we have sufficient income to retire. Out decision is based on scenarios which take into consideration certain assumptions. Some assumptions we have control over and some we don't. It's the assumptions that we don't have control over that may cause us to become a burden to the State in the future.
>
> The majority of retirees are on fixed income. We can cut back on travel plans or decide to give up having a car and take the bus, as examples of having control over assumptions that have changed. We have no control over inflation but we knew about it and included a "best guess" to take it into consideration. Changing the rules by taxing pensions for retirees who are on fixed income may back fire for the State in the future as more seniors will require senior care resources including an increase in Medicaid clients. The number of seniors will grow like never before as more of the baby boomers become seniors. The State doesn't have sufficient resources to support the current level of seniors. What are we going to do to solve this growing problem? Where will the State get the money?
>
> We should not take money from seniors. We should be planning to allow more seniors (retirees) to age at home (less costly) and the state needs to build sufficient support services to assist them. Otherwise, as they say locally, the State and people of Hawaii will be deep in "**Kim Chee**"
>
> Thank you for allowing me to submit this testimony.

Kathryn Okazaki
99-515 Kaholi Pl.
Aiea, HI

ROBERT S. KOIKE
3343 Pahoa Avenue
Honolulu, HI 96816
(808) 732-6783

e-mail rskoike@hawaii.rr.com

Testimony for HB1092,HD1,Proposed A, Relating to Taxation
Committee on Finance
February 25, 2011

I am in opposition to HB1092,HD1,Proposed A, relating to taxation.

Federal adjusted gross income is used as a criteria to determine whether all or none of a taxpayer's pension income is taxable. Federal AGI includes social security benefits in a majority of Hawaii's tax returns and should not be used to measure taxability as it is exempt from taxation in Hawaii. A $1 difference in a taxpayer's AGI will dictate whether all or none of one's pension income is taxable. This is most unreasonable, unfair and not equitable.

This proposal will also disallow the use of state income taxes as an itemized deduction. Based on the most recent Hawaii Income Patterns report on individual income taxes prepared by the Department of Taxation for tax year 2005, approximately 290,000 tax returns will be affected. About 580,000 resident taxpayers will be asked to pay an additional approximate $100 million in additional taxes, or about $350 per return.

Hawaii's retiree population is a major contributor to the state's economy. As most are not as mobile, almost all of the fixed income of a retiree is spent locally within the state, generating a great amount of general excise taxes. A great majority of this group quietly contributes their time and money to churches, hospitals, schools, day care centers, grandchildren and parents alike, and to many other institutions without any fanfare and at their own expense. They just simply go about making their unselfish contributions without making any demands from the state government.

Please give this retiree group, as well as the rest of the resident population, due consideration before adding to their tax burden.

Thank you very much.

Robert S. Koike

Robert S. Koike
Retiree Member of HGEA

ROBERT S. KOIKE
3343 Pahoa Avenue
Honolulu, HI 96816
(808) 732-6783

e-mail rskoike@hawaii.rr.com

Testimony for HB1092,HD1,Proposed B, Relating to Taxation
Committee on Finance
February 25, 2011

I am in opposition to HB1092,HD1,Proposed B, relating to taxation.

This proposal will make pension income taxable .

This proposal will also disallow the use of state income taxes as an itemized deduction. Based on the most recent Hawaii Income Patterns report on individual income taxes prepared by the Department of Taxation for tax year 2005, approximately 290,000 tax returns will be affected. About 580,000 resident taxpayers will be asked to pay an additional approximate $100 million in additional taxes, or about $350 per return.

Hawaii's retiree population is a major contributor to the state's economy. As most are not as mobile, almost all of the fixed income of a retiree is spent locally within the state, generating a great amount of general excise taxes. A great majority of this group quietly contributes their time and money to churches, hospitals, schools, day care centers, grandchildren and parents alike, and to many other institutions without any fanfare and at their own expense. They just simply go about making their unselfish contributions without making any demands from the state government.

Please give this retiree group, as well as the rest of the resident population, due consideration before adding to their tax burden.

Thank you very much.

Robert S. Koike

Robert S. Koike
Retiree Member of HGEA

HOUSE OF REPRESENTATIVES
TWENTY-SIXTH LEGISLATURE, 2011
STATE OF HAWAII

H.B. NO. 1092 H.D. 1 Proposed B

A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to amend Hawaii tax law to institute improvements and equity amongst taxpayers.

More specifically, this Act:

(1) Provides for the taxation of pension income that exceeds the following thresholds:

(A) $75,000 for an individual filer;

(B) $150,000 for joint filers; and

(C) $112,500 for a head of household or surviving spouse;

(2) Repeals the deduction for state taxes paid, with a phaseout for taxpayers with lower incomes; and

(3) Modifies the exclusion for royalties.

PART I. TAXATION OF PENSION INCOME

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"**§235- Taxation of pension income.** (a) For the purpose of this section, "pension income" includes the compensation, rights, benefits, and other income described in section 235-(7)(a)(2) and (3).

(b) For taxable years beginning after December 31, 2010, there shall be excluded from gross income, adjusted gross income, and taxable income the following:

(1) $75,000 of pension income of a taxpayer filing a single return or a married person filing separately;

(2) $112,500 of pension income of a taxpayer filing as a head of household or surviving spouse; or

(3) $150,000 of pension income taxpayers filing a joint return."

SECTION 3. Section 88-91, Hawaii Revised Statutes, is amended to read as follows:

"**§88-91 [~~Exemption~~] Exclusion from taxation and exemption from execution.** [~~The~~] (a) Section 235- and section 235-7(a)(2) and (3) shall apply to the exclusion from taxation by the State of the right of a person to a pension, an annuity or a retirement allowance, to the return of contributions, the pension, annuity or retirement allowance itself, any optional benefit or death benefit, any other right accrued or accruing to any person under this part and the moneys in the various funds created under this part [~~are exempted from any tax of the State and, except~~].

(b) Except as provided in section 88-92 [~~provided~~], the right, benefit, and moneys listed under subsection (a) accrued or accruing to a person shall not be subject to execution, garnishment or any other process and shall be unassignable except as specifically provided in this part [~~specifically provided~~]."

SECTION 4. Section 235-7, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There shall be excluded from gross income, adjusted gross income, and taxable income:

(1) Income not subject to taxation by the State under the Constitution and laws of the United States;

(2) Rights, benefits, and other income exempted from taxation by section 88-91, having to do with the state retirement system, and the rights, benefits, and other income, comparable to the rights, benefits, and other income exempted by section 88-91, under any other public retirement system[~~;~~], up to the limits contained in section 235-   ;

(3) Any compensation received in the form of a pension for past services[~~;~~], up to the limits contained in section 235- ;

(4) Compensation paid to a patient affected with Hansen's disease employed by the State or the United States in any hospital, settlement, or place for the treatment of Hansen's disease;

(5) Except as otherwise expressly provided, payments made by the United States or this State, under an act of Congress or a law of this State, which by express provision or administrative regulation or interpretation are exempt from both the normal and surtaxes of the United States, even though not so exempted by the Internal Revenue Code itself;

(6) Any income expressly exempted or excluded from the measure of the tax imposed by this chapter by any other law of the State, it being the intent of this chapter not to repeal or supersede any express exemption or exclusion;

(7) Income received by each member of the reserve components of the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States of America, and

the Hawaii national guard as compensation for performance of duty, equivalent to pay received for forty-eight drills (equivalent of twelve weekends) and fifteen days of annual duty, at an:

(A) E-1 pay grade after eight years of service; provided that this subparagraph shall apply to taxable years beginning after December 31, 2004;

(B) E-2 pay grade after eight years of service; provided that this subparagraph shall apply to taxable years beginning after December 31, 2005;

(C) E-3 pay grade after eight years of service; provided that this subparagraph shall apply to taxable years beginning after December 31, 2006;

(D) E-4 pay grade after eight years of service; provided that this subparagraph shall apply to taxable years beginning after December 31, 2007; and

(E) E-5 pay grade after eight years of service; provided that this subparagraph shall apply to taxable years beginning after December 31, 2008;

(8) Income derived from the operation of ships or aircraft if the income is exempt under the Internal Revenue

Code pursuant to the provisions of an income tax treaty or agreement entered into by and between the United States and a foreign country; provided that the tax laws of the local governments of that country reciprocally exempt from the application of all of their net income taxes, the income derived from the operation of ships or aircraft that are documented or registered under the laws of the United States;

(9) The value of legal services provided by a prepaid legal service plan to a taxpayer, the taxpayer's spouse, and the taxpayer's dependents;

(10) Amounts paid, directly or indirectly, by a prepaid legal service plan to a taxpayer as payment or reimbursement for the provision of legal services to the taxpayer, the taxpayer's spouse, and the taxpayer's dependents;

(11) Contributions by an employer to a prepaid legal service plan for compensation (through insurance or otherwise) to the employer's employees for the costs of legal services incurred by the employer's employees, their spouses, and their dependents;

(12) Amounts received in the form of a monthly surcharge by a utility acting on behalf of an affected utility under section 269-16.3 shall not be gross income, adjusted gross income, or taxable income for the acting utility under this chapter. Any amounts retained by the acting utility for collection or other costs shall not be included in this exemption; and

(13) One hundred per cent of the gain realized by a fee simple owner from the sale of a leased fee interest in units within a condominium project, cooperative project, or planned unit development to the association of owners under chapter 514A or 514B, or the residential cooperative corporation of the leasehold units.

For purposes of this paragraph:

"Fee simple owner" shall have the same meaning as provided under section 516-1; provided that it shall include legal and equitable owners;

"Legal and equitable owner", and "leased fee interest" shall have the same meanings as provided under section 516-1; and

"Condominium project" and "cooperative project" shall have the same meanings as provided under section 514C-1."

PART II. STATE TAX DEDUCTION

SECTION 5. Section 235-2.4, Hawaii Revised Statutes, is amended by amending subsection (h) to read as follows:

"(h) Section 164 (with respect to taxes) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that sections 164(a)(6) and 164(b)(6) shall not be operative for the purposes of this chapter[~~.~~]; provided that amounts allowed as a deduction under sections 164(a)(3) and 164(b)(5), shall be reduced as follows:

(1) For a taxpayer filing a single return or a married person filing separately, the deduction shall be reduced in accordance with the following table:

If federal adjusted gross income is:	The reduction shall be:
Less than $75,000	50% for taxable years beginning after December 31, 2010; 75% for taxable years beginning after December 31, 2011; 100% for taxable years beginning

	after December 31, 2012.
$75,000 and over	100% for taxable years beginning after December 31, 2010.

(2) For a taxpayer filing as a head of household or surviving spouse, the deduction shall be reduced in accordance with the following table:

If federal adjusted gross income is:	The reduction shall be:
Less than $112,500	50% for taxable years beginning after December 31, 2010; 75% for taxable years beginning after December 31, 2011; 100% for taxable years beginning after December 31, 2012.
$112,500 and over	100% for taxable years beginning after December 31, 2010.

(3) For a taxpayer filing a joint return, the deduction shall be reduced in accordance with the following table:

If federal adjusted gross income is:	The reduction shall be:
Less than $150,000	50% for taxable years beginning

	after December 31, 2010;
	75% for taxable years beginning after December 31, 2011;
	100% for taxable years beginning after December 31, 2012.
$150,000 and over	100% for taxable years beginning after December 31, 2010."

PART III. ROYALTIES EXCLUSION

SECTION 6. Section 235-7.3, Hawaii Revised Statutes, is amended to read as follows:

"**§235-7.3 Royalties derived from patents, copyrights, or trade secrets excluded from gross income.** (a) In addition to the exclusions in section 235-7, there shall be excluded from gross income, adjusted gross income, and taxable income, amounts received by an individual or a qualified high technology business as royalties and other income derived from any patents, copyrights, and trade secrets:

(1) Owned by the individual or qualified high technology business; and

(2) Developed and arising out of a qualified high technology business.

[~~(b) With respect to performing arts products, this exclusion shall extend to:~~

~~(1)~~ ~~The authors of performing arts products, or any parts thereof, without regard to the application of the work-for-hire doctrine under United States copyright law;~~

~~(2)~~ ~~The authors of performing arts products, or any parts thereof, under the work-for-hire doctrine under United States copyright law; and~~

~~(3)~~ ~~The assignors, licensors, and licensees of any copyright rights in performing arts products, or any parts thereof.~~

~~(c)~~] (b) For the purposes of this section:

"Performing arts products" means:

(1) Audio files, video files, audiovideo files, computer animation, and other entertainment products perceived by or through the operation of a computer; and

(2) Commercial television and film products for sale or license, and reuse or residual fee payments from these products.

"Qualified high technology business" means a business that conducts more than fifty per cent of its activities in qualified research[~~.~~] in Hawaii.

"Qualified research" means:

(1) The same as in section 41(d) of the Internal Revenue Code;

(2) The development and design of computer software for ultimate commercial sale, lease, license or to be otherwise marketed, for economic consideration. With respect to the software's development and design, the business shall have substantial control and retain substantial rights to the resulting intellectual property;

(3) Biotechnology;

(4) Performing arts products;

(5) Sensor and optic technologies;

(6) Ocean sciences;

(7) Astronomy; or

(8) Nonfossil fuel energy-related technology."

PART IV. MISCELLANEOUS PROVISIONS

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect on approval, and shall apply to taxable years beginning after December 31, 2010; provided that the amendments made to section 235-7(a), Hawaii Revised Statutes, by this Act shall not be repealed when that section is reenacted on January 1, 2013, by section 3 of Act 166, Session Laws of Hawaii 2007.

Report Title:
Taxation; Tax Improvement

Description:
Makes various amendments to the tax laws: excluding pension income from income tax only for certain persons; eliminating the deduction for state income taxes paid; and eliminating the income tax exclusion for certain persons involved in copyrights. (HD1 Proposed #2)

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