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

Testimony to the House Committee on Economic Revitalization & Business
Thursday, February 10, 2011 at 8:00 a.m.
Conference Room 312, State Capitol

RE: HOUSE BILL NO. 120 RELATING TO TELECOMMUTING

Chair McKelvey, Vice Chair Choy, and Members of the Committee:

The Chamber of Commerce of Hawaii ("Chamber") is in general support of HB 120 relating to Telecommuting.

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

HB 120 provides an income tax credit for employers when their employees telecommute for work.

Telework is a concept that changes the notion of work being a place to work being a process or activity. With today's affordable PCs, Internet access, on line services and software designed to support teleworking; businesses are in a position to leverage the concept.

During tough economic times, we must rely on our own initiatives as well as those of government to keep our businesses viable and our employees on the job. The teleworking strategy reaches beyond the economic boundary and includes social and environmental benefits:

- Reduces rent, parking, etc. costs
- Increases worker productivity
- Sustains work force and provides better life/work balance
- Eases personal commuting costs and stress
- Compliments Rapid Transit to alleviate transportation congestion
- Supports good environmental policy and reduces carbon footprint

Teleworking is the norm in the Mainland and increased productivity has been extensively documented. Hawaii's relatively small homes may not lend themselves to support home offices, so we need to use empty office space to create telework centers. We can do something significant now to relieve the congestion our Leeward employees endure.

In Hawaii, small businesses are the engine for Hawaii's economy through the creation of jobs which provide innovative products and services, and the generation of economic activity. They reflect all industries and a wide range of employment.

Keeping up with the rules and regulations contribute greatly to the cost of doing business in Hawaii. Therefore, providing incentives to small businesses, such as a telecommuting tax credit would help stimulate growth, especially at a time when Hawaii needs it most.

The Chamber respectfully requests HB 120 be passed for further discussion to determine the direct and indirect revenue impacts of this measure. Thank you for the opportunity to provide testimony.

From: Tina Desuacido [tina500@juno.com]
Sent: Wednesday, February 09, 2011 9:06 AM
To: ERBtestimony
Subject: Tax Foundation Testimony
Attachments: h0120-11.pdf

TRANSMISSION OF TESTIMONY

DATE: **Wednesday, February 9, 2011**

TO: **House Committee on Economic Revitalization & Business**

FROM: **Tax Foundation of Hawaii**

Total Pages 2

FOR: **Rep. Angus McKelvey, Chair**

Testifier: **Lowell L. Kalapa, President - Tax Foundation of Hawaii**

(Mr. Kalapa will not appear in person at the hearing.)

Date of Hearing - Thursday, February 10, 2011

Position: Comments

Time of Hearing - 8:00 am

HB 120 - Relating to Telecommuting (2 pages)

Number of copies - 4

Thank you.

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, Telecommuting tax credit

BILL NUMBER: HB 120

INTRODUCED BY: McKelvey, Awana, Har and 4 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow each taxpayer to claim a telecommuting tax credit that shall be deducted from each taxpayer's net income tax liability for the taxable year the credit is properly claimed. A taxpayer qualifies for the credit if he: (1) is an employer who permits one or more full-time employees to telecommute; and (2) is in compliance with all federal, state, and county rules and regulations. The amount of credit shall be ___% of an employer's cost related to allowing an employee to telecommute, multiplied by the number of employees who have telecommuted for the year.

"Telecommute" is a work arrangement between an employer and employee where the employee performs at least 75% of the employee's job at the employee's residence instead of commuting to the place of employment situated away from the employee's residence.

Credits in excess of a taxpayer's income tax liability shall be refunded to the taxpayer provided such amounts are over $1. Requires all claims, including amended claims, to be filed on or before the end of the twelfth month following the close of the taxable year for which the credit is claimed. Failure to comply with such provision shall constitute a waiver of the right to claim the credit. Further requires the director of taxation to prepare the necessary forms to claim the credit, requires proof of the claim for the credit, and adopts rules pursuant to HRS chapter 91.

Amends HRS section 46-1.5 to provide that no county shall prohibit or restrict any person from engaging or participating in telecommuting.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This measure proposes an incentive in the form of an income tax credit to encourage employers to allow their employees to telecommute and perform their work at home. It should be noted that the tax system is not an efficient means for accomplishing this goal.

It should be noted that income tax credits are designed to reduce the tax burden by providing relief for taxes paid. Tax credits are justified on the basis that low-income taxpayers, those with a lesser ability to pay, should be granted relief for taxes imposed. The proposed measure would merely result in a partial subsidy by the state of costs incurred by an employer to allow an employee to telecommute.

While the measure establishes a tax credit for the employer's costs related to allowing an employee to telecommute, the measure does not define or delineate such costs. Would costs for a high speed Internet connection, telephone lines and equipment, or computer equipment, fax machines, office furniture and supplies, etc., qualify for the credit? Nor does the measure specify that the employee has to be located a certain distance away from the employer. An employee may live within walking distance of the employer and the employer would still be eligible for the credit under the proposed measure.

The ambiguities in what costs will qualify for the credit and also no evidence for the need for tax relief by recipients of the proposed tax credit make the adoption of this measure unjustified. More importantly, it discriminates against those employers who need the physical presence of their employees at the workplace and against employers who may not have the means to allow their employees to telecommute. At the same time, the loss of revenues without a concurrent reduction in spending will insure that all taxpayers will continue to struggle with Hawaii's heavy burden of taxes as those not so favored will have to pick up the slack for the loss in revenues this proposal represents.

Digested 2/9/11

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 09, 2011 11:53 AM
To: ERBtestimony
Cc: crystal.robbins76@yahoo.com
Subject: Testimony for HB120 on 2/10/2011 8:00:00 AM

Testimony for ERB 2/10/2011 8:00:00 AM HB120

Conference room: 312
Testifier position: oppose
Testifier will be present: No
Submitted by: Crystal J Robbins
Organization: Individual
Address: 1326 Aupapaohe St Kailua, HI 96734
Phone: 469-693-6561
E-mail: crystal.robbins76@yahoo.com
Submitted on: 2/9/2011

Comments:
Community health centers in Hawaii cared for 125,000 patients in 2009, making them the second-largest provider of primary care services in the state.
Model of care at community health centers saves $1,262 per patient per year; that means $160 million in savings to the State in 2010.