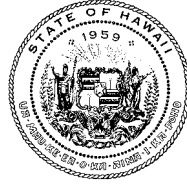


**NEIL ABERCROMBIE**  
GOVERNOR

**SHAN TSUTSUI**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1530  
FAX NO: (808) 587-1584

**FREDERICK D. PABLO**  
DIRECTOR OF TAXATION

**JOSHUA WISCH**  
DEPUTY DIRECTOR

To: The Honorable Angus L.K. McKelvey, Chair  
and Members of the House Committee on Consumer Protection and Commerce

Date: Wednesday, February 6, 2013  
Time: 2:30 p.m.  
Place: Conference Room 325, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: H.B. 1194 Relating to Subcontractors

The Department of Taxation (Department) opposes H.B. 1194 and offers the following information and comments for your consideration.

H.B. 1194 repeals the temporary suspension of the general excise tax as set forth under Act 105, Session Laws of Hawaii (SLH) 2011, on amounts deducted from the gross income of subcontractors. The measure is effective upon approval, and applies to proceeds received after December 31, 2012.

The Department of Taxation (Department) opposes this measure as it will require substantial changes to tax forms and instructions, as well as substantial programming of our current computer system. The Department also notes that as drafted, this measure would apply retroactively and could trigger refunds from taxpayers for taxes already submitted based on the current application of Act 105, SLH 2011. Provided that there are no amendments to Act 105, SLH 2011, the temporary suspension set forth under Act 105, SLH 2011, are expected to sunset on June 30, 2013.

Thank you for the opportunity to provide comments.



**Testimony to the House Committee on Consumer Protection & Commerce**  
**Wednesday, February 6, 2013**  
**2:30 p.m.**  
**State Capitol - Conference Room 325**

**RE: H.B. 1194, RELATING TO SUBCONTRACTORS**

Dear Chair McKelvey, Vice Chair Kawakami, and members of the committee:

The Chamber of Commerce of Hawaii **strongly supports H.B. 1194**, which repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors. Prior to Act 105, contractors were able to deduct the amount they paid to subcontractors when calculating their tax liability on construction projects.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 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.

In 2011, in an attempt to help close a \$1.3 billion deficit in the State's budget, Act 105 was passed to suspend various tax exemptions under Chapter 237-13. Of particular concern relates to Chapter 237-13(3)(B), which includes "amounts deducted from the gross income received by contractors." According to the Department of Taxation, this particular suspension alone would have generated approximately \$135 million in new revenue through FY 2013. This amount reflects 34% of the revenue generated by the suspension of 22 exemptions. However, in May 2012, the Department of Taxation reported that suspension of the subcontractor's deduction was expected to generate only \$50 million in new revenues in 2012, and less in 2013.

The subcontractors deduction was created over 75 years ago to prevent the "pyramiding" (double taxation) of the GET. This is typical in construction-related projects where work is performed by various specialty contractors. If a general contractor passes on a 4% tax to his customer and the general contractor hires a subcontractor to perform part of the work, the general contractor cannot deduct payments made to the subcontractor, even if the subcontractor has charged the general contractor for his portion of the work at 4%.

Act 105's suspension of the subcontractors' deduction has made it difficult for small- and mid-size contractors to compete with large contractors. Smaller contractors need help from consultants and subcontractors because they lack the necessary licenses to complete all aspects of a project themselves, while big contractors often have the staff to do all the work in-house. This increases the price of work because several subcontractors' GET are included in the contract bids.

Act 105 unevens the playing field and gives larger companies, many of whom are not locally-owned, an advantage over small- and medium-sized companies. Furthermore, suspension of

the subcontractors' deduction increases taxes, which in turn increases the cost of new construction and renovation projects, effectively halting the "recovery" the construction industry.









A SEN PLEX COMPANY

**OAHU AIR CONDITIONING SERVICE, INC.***We service and repair all makes and models*

938 Kohou St. • P.O. Box 17010 • Honolulu, Hawaii 96817 • Telephone (808) 848-0156 • Fax (808) 848-0259

Via E-mail: [OPCTestimony@capitol.hawaii.gov](mailto:OPCTestimony@capitol.hawaii.gov)

Via Fax: (808) 586-8437

February 5, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

Oahu Air Conditioning Service, Inc. **supports** the passage of H.B. 1194, Relating to Subcontractors because it will **repeal** the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly**, Oahu Air Conditioning Service, Inc. **supports** H.B. 1194.

Thank you for the opportunity to testify in this matter.

Yours truly,

Erlene N. Matsuyama  
Secretary/Treasurer

SEN PLEX CORP. • OAHU AIR CONDITIONING CO. • OAHU PLUMBING & SHEET METAL LTD.

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS.  
Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.



HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

Royal Contracting Co., Ltd., supports the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen. We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Royal Contracting Co., Ltd., supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Regards,

Joyce F. Furukawa  
Royal Contracting Co., Ltd.  
Treasurer & Controller



Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)

Via Fax: (808) 586-8437

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013

TIME: 2:30 p.m.

PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Build Pacific General Contractor LLC, supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Build Pacific General Contractor supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Robert Bladet  
Owner



Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)  
Via Fax: (808) 586-8437

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Koga Engineering & Construction, Inc. supports the passage of H.B. 1194, Relating to Subcontractors** because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Koga Engineering & Construction, Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

**O'ahu, Big Island & Maui County**

**MAIN OFFICE**

1162 Mikole Street  
Sand Island Industrial Park  
Honolulu, Hawai'i 96819-4320

**MAIL**

P.O. Box 31289  
Honolulu, Hawai'i 96820-1289

**Phone:** 808-845-7829  
**Fax:** 808-845-3742

**Kaua'i**

**OFFICE**

1740 Haleukana Street  
Puhi Industrial Park  
Lihu'e, Hawai'i 96766-9065

**MAIL**

P.O. Box 3537  
Lihu'e, Hawai'i 96766-6537

**Phone:** 808-245-9505  
**Fax:** 808-245-1850

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## kawakami2 - Rise

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 05, 2013 9:45 AM  
**To:** CPCtestimony  
**Cc:** herbert.endo@endoelectric.com  
**Subject:** Submitted testimony for HB1194 on Feb 6, 2013 14:30PM

### **HB1194**

Submitted on: 2/5/2013

Testimony for CPC on Feb 6, 2013 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Herbert Endo	Jack Endo Electric Inc	Support	No

Comments: We support this bill as it will help reduce cost on government projects.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

# **SMCA** Sheet Metal Contractors Association

2850 Paa Street, Suite 207, Honolulu, HI 96819-4431, Ph (808) 845-9393, Fax (808) 845-9395 email: [neal@smcahi.com](mailto:neal@smcahi.com)  
NEAL K. ARITA  
Executive Director

## **TESTIMONY TO THE HOSE OF REPRESENTATIVES COMMITTEE ON CONSUMER PROTECTION AND COMMERCE**

**Representative Angus L.K. McKelvey, Chair**

**Wednesday February 6, 2013**

**Re: H.B. 1194 Relating to Subcontractors**

**Dear Chair McKelvey and members of the Committee:**

I am Neal Arita, Executive Director of The Sheet Metal Contractors Association, which represents Subcontractors of the Sheet Metal Industry in Hawaii. We are in favor of this bill.

H.B. 1194, although intended to simply generate additional tax revenue, has proven to have unintended consequences that are not beneficial to the State, hurts construction and puts additional burden on consumers who are complying within the laws.

Several actions have been seen prevalent in the community that circumvents the system;

First, is that it hurts the consumer – cost conscience consumers take that “look” at unlicensed contractors and many engage work with them to save on cost (and taxes) – this is both illegal and detrimental to consumers and taxable revenue.

Secondly, and understandably, some General Contractors facing stiff competition have been purchasing materials and equipment normally purchased by the subcontractor (who, sometimes is not given a choice), believes they “save” the consumer the additional taxes otherwise paid by the subcontractor and again by the general contractor; however, it disallowing the subcontractor potential profits and creates messy warranty issues for the consumer.

Finally, as noted in the Hawaii Tax Review Commission, tax cascading... “can impose significant cost in the economy.”

Unfortunately, for the State of Hawaii, the Tax Commission has accurately described what is happening. Continuing this will hurt, even more, our fragile economy.

It is for these reasons we strongly urge you to pass this bill as we fully **support** this bill.

Sincerely,

Neal Arita  
Executive Director  
Sheet Metal Contractors Association





Testimony of Cindy McMillan  
The Pacific Resource Partnership

House Committee on Commerce and Consumer Protection  
Representative Angus L.K. McKelvey, Chair  
Representative Derek S.K. Kawakami, Vice Chair

HB 1194 – Relating to Subcontractors  
Wednesday, February 6, 2013  
2:30 pm  
Conference Room 325

Aloha Chair McKelvey, Vice Chair Kawakami and Members of the Committee:

The Pacific Resource Partnership (PRP) is a labor-management consortium representing over 240 signatory contractors and the Hawaii Regional Council of Carpenters.

PRP **supports** HB 1194, Relating to Subcontractors. This bill repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

PRP supports the scheduled sunset of Act 105 on June 30, 2013. A study prepared by Public Financial Management Management noted that the general excise tax (GET) paid by subcontractors is the result of business to business transactions and leads to pyramiding with negative tax consequences. The study also found that long-term elimination of the subcontractor exemption could result in more vertical integration and the likely loss of some business. Smaller businesses will be disproportionately affected because they face the loss of work from a general contractor who could seek additional licenses to avoid payment of the tax currently paid by their subcontractors.

While the visitor industry has experienced a record-breaking surge in activity, the construction industry has yet to recover from the global economic downturn. In this environment, the suspension of the GET exemption for construction has had a chilling impact on the industry when what it needs is a boost in order to spur responsible development.

We respectfully ask for your support on HB 1194. Thank you for the opportunity to share our views on this important initiative with you.



ELECTRICAL CONTRACTOR'S ASSOCIATION OF HAWAII

NECA Hawai'i Chapter

1286 Kalani Street, Suite B-203

Honolulu, Hawai'i 96817

PH: (808) 847-7306

FX: (808) 841-8096

Email: [ecah@ecahi.com](mailto:ecah@ecahi.com)



February 4, 2013

To: House Committee on Consumer Protection & Commerce  
The Honorable Representatives Angus L.K. McKelvey and Derek S.K. Kawakami, Chairs

From: Al Itamoto, Executive Director  
Electrical Contractors Association of Hawaii  
National Electrical Contractors Association, Hawaii Chapter

Subject: H.B. 1194, Relating to Subcontractors

Notice of Hearing

Date: Wednesday, February 6, 2013  
Time: 2:30 PM  
Place: Conference Room 325  
State Capitol  
415 South Beretania Street

Dear Chairs McKelvey, Kawakami and Committee members:

The Electrical Contractors Association of Hawaii (ECAH) is a non-profit association consisting of electrical contractors doing business in the State of Hawaii. ECAH **strongly supports** the intent and purpose of HB 1194.

The intent and purpose of H.B. 1194 corrects the inequities created by Act 105, Sessions of Laws of Hawaii 2011 that suspended the exemption for subcontract work by contractors for general excise tax purposes. Act 105, SLH 2011 resulted in a pyramiding of taxes on the subcontract portion of gross revenues by contractors as subcontractors were already subject to the general excise taxes on their revenues.

Act 105, SLH 2011 has increased the cost of contracting work provided to owners and for all public projects costing taxpayers the additional taxes that were passed on to cover the additional contractors costs. In some cases, to avoid the additional taxes created by Act 105, SLH 2011, prime contractors would purchase the supplies, materials and equipment normally purchased by the subcontractor thereby reducing the amount of work subcontracted in an effort to reduce their tax liability, so the intent of Act 105, SLH 2011 did not receive its full effect of raising tax revenues for the State coffers.

This flaw would be corrected and would remove the inequities of imposing additional general excise taxes by approving and passing this measure. With this measure, Act 105 SLH 2011 would properly sunset as originally intended for the subcontract work portion of gross income on June 30, 2013.

Based on the above, ECAH **strongly supports** the passage of H.B. 1194 and urge the committee to move this bill forward.

Thank you for the opportunity to provide testimony on this issue.

#### List of Licenses

##### "A" License

1. C-3 asphalt, paving and surfacing;

2. C-9 cesspool;
3. C-10 scaffolding;
4. C-17 excavating, grading and trenching;
5. C-24 building, moving and wrecking;
6. C-31 cement concrete;
7. C-32 ornamental guardrail and fencing;
8. C-35 pile driving, pile and caisson drilling and foundation;
9. C-37a sewer and drain line;
10. C-37b irrigation and lawn sprinkler systems;
11. C-38 post tensioning;
12. C-43 sewer, sewage disposal, drain and pipe laying
13. C-49 swimming pool;
14. C-56 welding;
15. C-57a pumps installation;
16. C-57b injection wells;
17. C-61 solar energy systems

"B": License

1. C-5 cabinet, millwork and carpentry remodeling and repairs;
2. C-6 carpentry;
3. C-10 scaffolding;
4. C-12 drywall;
5. C-24 building moving and wrecking;
6. C-25 institutional and commercial equipment;
7. C-31a cement concrete;
8. C-32a wood and vinyl fencing;
9. C-42a aluminum and other metal shingles;
10. C-42b wood shingles and wood stakes

# ***SAH - Subcontractors Association of Hawaii***

***1188 Bishop St., Ste. 1003\*\*Honolulu, Hawaii 96813-2938***

***Phone: (808) 537-5619 ✦ Fax: (808) 533-2739***

February 6, 2013

Testimony To: House Committee on Consumer Protection & Commerce  
Representative Angus L.K. McKelvey, Chair

Presented By: Tim Lyons  
President

Subject: H.B. 1194 – RELATING TO SUBCONTRACTORS

Chair McKelvey and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii and we are not in favor of this bill. The Subcontractors Association of Hawaii is composed of the following nine separate and distinct subcontracting organizations which include:

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

TILE CONTRACTORS PROMOTIONAL PROGRAM

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL CONTRACTORS ASSOCIATION OF HAWAII

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

ELECTRICAL CONTRACTORS ASSOCIATION OF HAWAII

We support this bill.

This bill addresses the double taxation of contracting proceeds which was one of the items swept up in the legislative search for additional revenues. The problem is not only the cost but more importantly the disastrous and unattended consequences that this bill has had upon subcontractors.

It is typically not the subcontractors who have had to pay this additional tax. That is to say that the general contractor was paying it for them on their behalf and deducting it from any proceeds to the subcontractor. Under the temporary suspension, the general contractor is paying the 4% on the gross and the subcontractor is paying the 4% on his gross.

What has happened is that in an attempt to avoid this taxation, general contractors have taken it upon themselves to order materials directly from typical subcontractor suppliers so that the 4% is only paid one time. They then hire the subcontractor for labor only contracts. It is a truism in the construction industry that it is very difficult, if not impossible, to make money on labor only contracts. In order to have any chance of profitability the subcontractors need to have the flexibility of both labor and the material as factors. What this has done is created a strong division between subcontractors and generals as the general contractors go directly to the subcontractors normal and regular suppliers to get prices and order from them.

This has absolutely destroyed the relationship that subcontractors have with their suppliers. They are no longer the customer and on the occasional orders that they do place with that supplier their book of business has now been cut in half or even worse, dependent on the style of business the subcontractor has, now they have absolutely no leverage and are not treated as a favored customer

of the subcontracting supplier. It has also created a "headache" in some cases for general contractors inasmuch as they do not have relationships with those suppliers. Particularly of concern is when there are defective materials. The general contractor may not even recognize the defective materials even though he orders the materials directly from the supplier. When they are defective he expects the subcontractor to straighten the problem out. The subcontractor however has lost his leverage with the supplier.

As is noted in the final report prepared for the Hawaii Tax Review Commission entitled, "Selected Issue with the Hawaii General Excise Tax", the tax cascading "can impose significant cost in the economy" and that is indeed what has happened. It is our belief that the Hawaii economy could recover even faster if the exemption was still in place. Cascading also raises the tax rate above 4% when it is collected from both the prime and the sub. As the report points out, this could discourage both new construction and renovations. This is particularly harmful to small businesses since they now get far fewer opportunities for work, as well as what work they do get, is of far less value since about 50% of it has been transferred to the general dealing with suppliers.

It is based then on these unintended consequences that we respectfully request that the exemption be reinstated and we allow this very important sector of our economy to begin to thrive without an overburdening tax system.

Thank you.



# PLUMBING & MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII



Via Email

February 4, 2013

Representative Angus L.K. McKelvey, Chair  
Representative Derek S.K. Kawakami, Vice-Chair  
House Committee on Consumer Protection and Commerce  
The Twenty-Seventh Legislature, Regular Session of 2013

TELEPHONE: (808) 597-1216  
FAX: (808) 597-1409  
1314 S. King Street, Suite 961  
Honolulu, Hawaii 96814

**GREGG S. SERIKAKU**  
EXECUTIVE DIRECTOR

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

## **SUBJECT: HB1194 Relating to Subcontractors**

My name is Gregg Serikaku, I am the Executive Director of the Plumbing and Mechanical Contractors Association of Hawaii. Our Association represents over 40 major plumbing and mechanical contractors who employ more than 1,000 mechanics, technicians, managerial staff, and administrative personnel here in Hawaii.

The Association for which I speak **strongly supports HB1194.**

HB1194 restores the general excise tax (GET) offset deduction on construction contracts which was temporarily suspended by Act 105. This offset deduction reduces the onerous pyramiding of the GET on construction projects by allowing each construction contractor and subcontractor to pay GET only on the portion of the contract that is attributable to their work. The aggregate tax payments made by all contractors and subcontractors results in GET correctly being paid on 100% of the contract value.

In 2011, Act 105 temporarily suspended the offset deduction between contractors and subcontractors, and required GET to be paid on the total contract value at each level of the construction project, including the underlying contracts attributable to lower tier subcontractors. This created a pyramiding of the GET on construction projects that, in its entirety, results in an effective GET rate of 8% or more. This pyramiding ultimately creates higher costs for consumers and discourages new construction/renovation work, which in turn stifles the recovering construction industry resulting in prolonged unemployment and reduced tax revenue for the State.

Another real concern, is that many contractors have been pressured to vertically integrate in an effort to reduce the effect of tax pyramiding. This integration has caused contractors to attempt specialized work that falls outside of their normal scope and which has traditionally been performed by trained specialty subcontractors. By attempting to perform such specialized work, these contractors not only place their workers in jeopardy, but ultimately harm the consumer who ends up with an inferior and potentially unsafe structure. In fact, the State of Hawaii created the contractor licensing law with various specialty classifications specifically to ensure that the consumer receives quality work performed by properly skilled contractors.

In closing, our Association strongly supports HB1194 and the restoration of the offset deduction for subcontractors.

Thank you for this opportunity to testify.

Respectfully yours,

A handwritten signature in dark ink, reading "Gregg S. Serikaku", is positioned above the printed name of the Executive Director.

Gregg S. Serikaku  
Executive Director

***Electricians, Inc.***  
2688 Waiwai Loop - Honolulu, HI 96819  
Telephone (808) 839-2242 - Fax (808) 839-1344

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK  
KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the  
temporary suspension under Act 105, SLH 2011, on the general excise tax  
exemption on amounts deducted from the gross income of subcontractors.

HEARING  
DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Electricians, Inc. supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Electricians, Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,



Lance Yamamura  
Controller/Treasurer

February 5, 2013

Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE  
CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION  
AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary  
suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted  
from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

HSI Mechanical, Inc. supports the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

Accordingly, HSI Mechanical, Inc. supports H.B. 1194.

Thank you for the opportunity to testify in this matter.

Please contact me at 808-478-8482 or at me email: [fmoore@hsimechanical.com](mailto:fmoore@hsimechanical.com) should you have any questions regarding this correspondence.

With Aloha,

  
Fred Moore

hsi mechanical, inc.  
License BC-24578  
227 Pu'u Hale Road, Honolulu, HI 96819  
Ph.: (808) 845-5432 • Fax: 841-5516 • Cell: 478-8482  
E-mail: [fmoore@hsimechanical.com](mailto:fmoore@hsimechanical.com)  
Website: [www.hsimechanical.net](http://www.hsimechanical.net)

OUR VISION

"hsi mechanical, inc. provides high customer satisfaction, quality, and dependability."



**S & M SAKAMOTO, INC.**  
GENERAL CONTRACTORS

Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)  
Via Fax: (808) 586-8437

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK  
KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the  
temporary suspension under Act 105, SLH 2011, on the general excise tax  
exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

S & M Sakamoto, Inc. supports the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, S & M Sakamoto, Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Very truly yours,  
S & M Sakamoto, Inc.

Gerard Sakamoto, President



Weston Solutions, Inc.  
841 Bishop Street  
Suite 2301  
Honolulu, Hawaii 96813  
808-275-2900 • Fax 808-585-7378

**February 5, 2013**

**TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI,  
VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION  
AND COMMERCE**

**SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS.**

**HEARING DATE: Wednesday, February 6, 2013**

**TIME: 2:30 p.m.**

**PLACE: Conference Room 325**

**Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:**

**WESTON SOLUTIONS, Inc. supports the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.**

**Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.**

**We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.**

**Accordingly, WESTON SOLUTIONS, Inc. supports H.B. 1194.**

**Thank you for the opportunity to testify in this matter.**

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "M. Ambler".

**Mark R. Ambler, PE, PMP**

**Weston Solutions, Inc.**

841 Bishop St., Ste 2301

Honolulu, Hawaii 96813

(808) 275-2911 Direct (808) 387-6167 Cell

[mark.ambler@westonsolutions.com](mailto:mark.ambler@westonsolutions.com)



Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)

Via Fax: (808) 586-8437

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013

TIME: 2:30 p.m.

PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

Pioneer Contract Co., Ltd **supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Pioneer Contracting Co., Ltd supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

**Grace Pacific**  
C O R P O R A T I O N  
P.O. Box 78 / Honolulu, Hawaii 96810

Administrative Office (808) 674-8383 fax (808) 674-1040  
Paving Office (808) 845-3991 fax (808) 842-3206  
Quarry Office (808) 672-3545 fax (808) 672-3998



Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)  
Via Fax: (808) 586-8437

February 5, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS.  
Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

Grace Pacific Corporation **supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

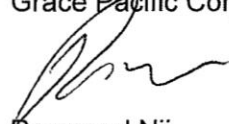
Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Grace Pacific Corporation supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Grace Pacific Corporation

A handwritten signature in black ink, appearing to be 'R. Nii', written over the text 'Grace Pacific Corporation'.

Raymond Nii  
Manager, Engineering, Admin, IDIQ





A SEN PLEX COMPANY

**OAHU PLUMBING & SHEET METAL, LTD.**

938 Kohou St. • P.O. Box 17010 • Honolulu, Hawaii 96817 • Telephone (808) 848-0111 • Fax (808) 848-0210

Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)

Via Fax: (808) 586-8437

February 5, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

**HEARING**

DATE: Wednesday, February 6, 2013

TIME: 2:30 p.m.

PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

Oahu Plumbing and Sheet Metal, Ltd. **supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

Accordingly, Oahu Plumbing and Sheet Metal, Ltd. **supports** H.B. 1194.

Thank you for the opportunity to testify in this matter.

Yours truly,

Erlene N. Matsuyama  
Secretary/Treasurer

SEN PLEX CORP. • OAHU AIR CONDITIONING CO. • OAHU AIR CONDITIONING SERVICE, INC.

# Electrical Contractors Hawaii

---

HELPING DISTRIBUTE HAWAII'S POWER!

91-522 Nukuawa St  
Kapolei, HI 96707  
License No C-24843  
T: (808) 380-9900  
F: (808) 380-9910

February 4, 2013

To: House Committee on Consumer Protection & Commerce  
The Honorable Representatives Angus L.K. McKelvey and Derek S.K.  
Kawakami, Chairs

Subject: H.B. 1194, Relating to Subcontractors

## Notice of Hearing

Date: Wednesday, February 6, 2013  
Time: 2:30 PM  
Place: Conference Room 325  
State Capitol  
415 South Beretania Street

Dear Chairs McKelvey, Kawakami and Committee members:

Electrical Contractors Hawaii is an Electrical Contracting firm doing business in the State of Hawaii since 2003. Electrical Contractors Hawaii strongly supports the intent and purpose of HB 1194.

The intent and purpose of H.B. 1194 corrects the inequities created by Act 105, Sessions of Laws of Hawaii 2011 that suspended the exemption for subcontract work by contractors for general excise tax purposes. Act 105, SLH 2011 resulted in a pyramiding of taxes on the subcontract portion of gross revenues by contractors as subcontractors were already subject to the general excise taxes on their revenues.

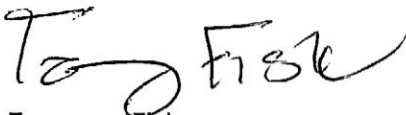
Act 105, SLH 2011 has increased the cost of contracting work provided to owners and for all public projects costing taxpayers the additional taxes that were passed on to cover the additional contractors costs. In some cases, to avoid the additional taxes created by Act 105, SLH 2011, prime contractors would purchase the supplies, materials and equipment normally purchased by the subcontractor thereby reducing the amount of work subcontracted in an effort to reduce their tax liability, so the intent of Act 105, SLH 2011 did not receive its full effect of raising tax revenues for the State coffers.

This flaw would be corrected and would remove the inequities of imposing additional general excise taxes by approving and passing this measure. With this measure, Act 105 SLH 2011 would properly sunset as originally intended for the subcontract work portion of gross income on June 30, 2013.

Based on the above, Electrical Contractors Hawaii strongly supports the passage of H.B. 1194 and urge the committee to move this bill forward.

Thank you for the opportunity to provide testimony on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Tammy Fisk". The signature is fluid and cursive, with the first name "Tammy" written in a larger, more prominent script than the last name "Fisk".

Tammy Fisk  
Electrical Contractors Hawaii



Painting and Finishing Contractors

91-310 Komohana Street  
Kapolei • Hawaii • 96707

Phone: (808) 682-1321  
Fax: (808) 682-1535

[www.zelinskyco.com](http://www.zelinskyco.com),  
Contractor Lic. #C20440

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI,  
VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER  
PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the  
temporary suspension under Act 105, SLH 2011, on the general excise tax exemption  
on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Zelinsky Company** supports the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Zelinsky Company supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Regards,

Lari Bloom  
Vice President



P.O. Box 4088  
Honolulu, HI 96812-4088  
Phone: (808) 735-3211  
Fax: (808) 735-3280

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI,  
VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER  
PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the  
temporary suspension under Act 105, SLH 2011, on the general excise tax  
exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Hawaiian Dredging Construction Company supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Hawaiian Dredging Construction Company supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Regards,

A handwritten signature in black ink, appearing to read 'Ryan K Nobriga', is written over the typed name.

Ryan K Nobriga  
Vice President – Finance  
Hawaiian Dredging Construction Company, Inc.  
[808-735-3327](tel:808-735-3327) (Office)  
Email: [mnobriga@hdcc.com](mailto:mnobriga@hdcc.com)





February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Charles Pankow Builders, Ltd. supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry. Giving Contractors and Owners the assurance NOW that the bill is guaranteed to sunset on June 30, 2013 will encourage Owners to start their projects sooner rather than waiting until the actual sunset date.

**Accordingly, Charles Pankow Builders, Ltd. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

James Bauckham  
Director of Preconstruction



general contractor license #ABC 21576

Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)

Via Fax: (808) 586-8437

February 5, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**LYZ, Inc. supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, LYZ, Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

A handwritten signature in black ink, appearing to read 'James N. Kurita', is written over a circular stamp or seal.

James N. Kurita  
Vice President/ Chief Operating Officer



# CONSTRUCTORS HAWAII INC.

1728 KAHAI STREET  
HONOLULU, HAWAII 96819  
TELEPHONE (808) 848-2455  
FACSIMILE (808) 842-3509

LICENSE NO. ABC 05927

180 KALANIKOA STREET  
HILO, HAWAII 96720  
TELEPHONE (808) 935-2855  
FACSIMILE (808) 961-6314

Letter no. 120.609

February 5, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Constructors Hawaii Inc. supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Constructors Hawaii Inc. supports H.B. 1194.**

Yours very truly,

CONSTRUCTORS HAWAII INC.

  
Colin Yoshiyama  
President





Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)  
Via Fax: (808) 586-8437

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

Nordic PCL Construction, Inc. **supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. Developers are already severely challenged with securing capital for their projects. Accordingly, the cost of construction is a major concern and the developer's budgets are extremely restrictive. Any additional cost to a developer's budget could kill the project and the design and construction jobs that would have been created. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

Accordingly, Nordic PCL Construction, Inc. **supports** H.B. 1194.

Thank you for the opportunity to testify in this matter.

Yours truly,

A handwritten signature in blue ink, appearing to read "Glen Kaneshige".

Glen Kaneshige  
President

NORDIC PCL CONSTRUCTION, INC.

LICENSE #ABC-17

1099 ALAKEA STREET, SUITE 1560, HONOLULU HI. 96813 ♦ TELEPHONE (808)541-9101 ♦ FAX (808)541-9108



1602 AUIKI STREET, STE. A \* HONOLULU, HAWAII 96819-3957  
PHONE: (808) 842-4454 \* FAX (808) 842-4455 \* LIC.ABC-14283

**Testimony to the House Committee on Consumer Protection & Commerce**  
**Wednesday, February 6, 2013**  
**2:30 p.m.**  
**State Capitol - Conference Room 325**

**RE: H.B. 1194, RELATING TO SUBCONTRACTORS**

Dear Chair McKelvey, Vice-Chair Kawakami, and members of the committee:

Kokea Construction & Consultants, Inc. **strongly supports** H.B. 1194, which repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors. Prior to Act 105, contractors were able to deduct the amount they paid to subcontractors when calculating their tax liability on construction projects.

In 2011, in an attempt to help close a \$1.3 billion deficit in the State's budget, Act 105 was passed to suspend various tax exemptions under Chapter 237-13. Of particular concern relates to Chapter 237-13(3)(B), which includes "amounts deducted from the gross income received by contractors." According to the Department of Taxation, this particular suspension alone would have generated approximately \$135 million in new revenue through FY 2013. This amount reflects 34% of the revenue generated by the suspension of 22 exemptions. However, in May 2012, the Department of Taxation reported that suspension of the subcontractor's deduction was expected to generate only \$50 million in new revenues in 2012, and less in 2013.

The subcontractors deduction was created over 75 years ago to prevent the "pyramiding" (double taxation) of the GET. This is typical in construction-related projects where work is performed by various specialty contractors. If a general contractor passes on a 4% tax to his customer and the general contractor hires a subcontractor to perform part of the work, the general contractor cannot deduct payments made to the subcontractor, even if the subcontractor has charged the general contractor for his portion of the work at 4%.

Act 105's suspension of the subcontractors' deduction has made it difficult for small- and mid-size contractors to compete with large contractors. Smaller contractors need help from consultants and subcontractors because they lack the necessary licenses to complete all aspects of a project themselves, while big contractors often have the staff to do all the work in-house. This increases the price of work because several subcontractors' GET are included in the contract bids.

**RE: H.B. 1194, RELATING TO SUBCONTRACTORS**

Page 2


Act 105 made the playing field uneven, giving larger companies, many of whom are not locally-owned, an advantage over small- and medium-sized companies. Furthermore, Act 105 increases taxes, which in turn increases the cost of new construction and renovation projects, for both private and public projects, effectively halting the anticipated recovery of the construction industry.

For the foregoing reasons, Kokea Construction & Consultants, Inc. is in **strong support** of H.B. 1194.

Thank you for the opportunity to express our views on this matter.

Sincerely,

KOKEA CONSTRUCTION & CONSULTANTS, INC.

A handwritten signature in black ink, appearing to read "Rodney T. Yamamoto".

Rodney T. Yamamoto  
Exec. Vice President

## kawakami2 - Rise

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 05, 2013 2:25 PM  
**To:** CPCtestimony  
**Cc:** cloeffler@interpac.net  
**Subject:** Submitted testimony for HB1194 on Feb 6, 2013 14:30PM

### **HB1194**

Submitted on: 2/5/2013

Testimony for CPC on Feb 6, 2013 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Carolyn Loeffler	William C. Loeffler Construction, Inc.	Support	No

Comments: Testimony to the House Committee on Consumer Protection & Commerce Wednesday, February 6, 2013 2:30 p.m. State Capitol - Conference Room 325 RE: H.B. 1194, RELATING TO SUBCONTRACTORS Dear Chair McKelvey, Vice-Chair Kawakami, and members of the committee: William C. Loeffler Construction, Inc. strongly supports H.B. 1194, which repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors. Prior to Act 105, contractors were able to deduct the amount they paid to subcontractors when calculating their tax liability on construction projects. In 2011, in an attempt to help close a \$1.3 billion deficit in the State's budget, Act 105 was passed to suspend various tax exemptions under Chapter 237-13. Of particular concern relates to Chapter 237-13(3)(B), which includes "amounts deducted from the gross income received by contractors." According to the Department of Taxation, this particular suspension alone would have generated approximately \$135 million in new revenue through FY 2013. This amount reflects 34% of the revenue generated by the suspension of 22 exemptions. However, in May 2012, the Department of Taxation reported that suspension of the subcontractor's deduction was expected to generate only \$50 million in new revenues in 2012, and less in 2013. The subcontractors deduction was created over 75 years ago to prevent the "pyramiding" (double taxation) of the GET. This is typical in construction-related projects where work is performed by various specialty contractors. If a general contractor passes on a 4% tax to his customer and the general contractor hires a subcontractor to perform part of the work, the general contractor cannot deduct payments made to the subcontractor, even if the subcontractor has charged the general contractor for his portion of the work at 4%. Act 105's suspension of the subcontractors' deduction has made it difficult for small- and mid-size contractors to compete with large contractors. Smaller contractors need help from consultants and subcontractors because they lack the necessary licenses to complete all aspects of a project themselves, while big contractors often have the staff to do all the work in-house. This increases the price of work because several subcontractors' GET are included in the contract bids. Act 105 made the playing field uneven, giving larger companies, many of whom are not locally-owned, an advantage over small- and medium-sized companies. Furthermore, Act 105 increases taxes, which in turn increases the cost of new construction and renovation projects, for both private and public projects, effectively halting the anticipated recovery of the construction industry. For the foregoing reasons, we are in strong support of H.B. 1194. Thank you for the opportunity to express our views on this matter.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or

directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**RALPH S. INOUE CO LTD**  
**GENERAL CONTRACTOR**

2831 Awaawaloa Street  
Honolulu, Hawaii 96819

T: 808.839.9002  
F: 808.833.5971

License No. ABC-457  
Founded in 1962

Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)  
Via Fax: (808) 586-8437

February 5, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK  
KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the  
temporary suspension under Act 105, SLH 2011, on the general excise tax  
exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

Ralph S. Inouye Co., Ltd. (RSI), General Contractor and member of the General Contractors Association of Hawaii (GCA), **supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction community because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, RSI supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.





February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Forest City Hawaii supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

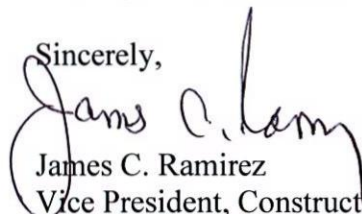
Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Forest City Hawaii supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

  
James C. Ramirez  
Vice President, Construction

1065 Ahua Street  
Honolulu, HI 96819  
Phone: 808-833-1681 FAX: 839-4167  
Email: [info@gcahawaii.org](mailto:info@gcahawaii.org)  
Website: [www.gcahawaii.org](http://www.gcahawaii.org)



# GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR; HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

SUBJECT: H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair McKelvey, Vice Chair Kawakami and Members of the Committee:

The General Contractors Association (GCA) is an organization comprised of over six hundred (600) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii.

GCA **strongly supports** H.B. 1194, Relating to Subcontractors, which proposes to repeal the temporary suspension under Act 105, SLH 2011, on the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

GCA remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, and included the subcontractor exemption for construction. GCA supports the scheduled sunset of Act 105 on June 30, 2013. This bill would ensure the termination of Act 105 and give contractors assurance that the suspension of the GET exemption will be lifted.

As you may be aware, construction activity has been declining every year since 2008, and is expected to lead economic recovery in the coming years. The GCA believes that the suspension of the general excise tax exemption for construction has a chilling effect on new developments that are not released due to the added cost. Some projects may be waiting for the suspension to be lifted before the projects are released – any delays in ending the suspension may permanently shelve those projects to the detriment of the languishing economy of the State.



Based on the two studies commissioned by the Tax Review Commission late last year, both the PFM Draft Study and Fox Study recommended allowing Act 105 to sunset as scheduled on June 30, 2013 because, among other things, the revenue generated from the suspension of the exemptions did not meet the expected revenue that was projected.

As the PFM report points out, the GET paid by subcontractors are the result of business to business transactions and leads to pyramiding with negative tax consequences. Both the Fox Study and the PFM Analysis agree that continued long term elimination of the subcontractor exemption could result in more vertical integration and the likely loss of some business. The elimination of this exemption may have severe impact on smaller subcontractors, who would face the loss of work from a general contractor who would seek additional licenses to avoid payment of the tax currently paid by their subcontractors.

The GCA supports H.B. 1194 to ensure that the suspension of the GET exemption for subcontractors is lifted and the effective date would apply to gross income or gross proceeds received after December 31, 2012. Furthermore, this bill would further support the PFM Analysis to allow Act 105 (SLH, 2011) to sunset because there are better options available to the State to meet its revenue requirements, without the negative impacts that the elimination of these exemptions cause.

It is necessary for the economic recovery of our state that the Act 105 suspension of the subcontractor exemption lifted no later than the two (2) years envisioned under Act 105. For these reasons, we respectfully request passage of H.B. 1194.

Thank you for the opportunity to share our views on this matter.

**HEALY TIBBITTS BUILDERS, INC.**

General Contractors

991291 1200th Street • Suite A • Aiea, Hawaii 96701  
Telephone: (808) 487-3664 • Facsimile: (808) 487-3660Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)

Via Fax: (808) 586-8437

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

Healy Tibbitts Builders, Inc. supports the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

Accordingly, Healy Tibbitts Builders, Inc. supports H.B. 1194.

Thank you for the opportunity to testify in this matter.

Very truly yours,  
Healy Tibbitts Builders, Inc.



Richard A. Heltzel  
President

Oahu Construction & Consultants  
91-444 Komohana St.  
Kapolei, HI 96707

Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)  
Via Fax: (808) 586-8437

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK  
KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the  
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exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:  
Oahu Construction & Consultants supports the passage of H.B. 1194, Relating to  
Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011,  
regarding the general excise tax (GET) exemption on amounts deducted from the gross income  
of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several  
exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on  
construction activity because of the included subcontractor exemption. We fully support the  
scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the  
termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a  
chilling effect on new developments that are not released due to the added cost. We are also  
deeply concerned that the longer the suspension remains in effect, the more likely contracting  
business will change in Hawaii to the detriment of our industry.

**Accordingly, Oahu Construction & Consultants supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

**CONSTRUCTORS HAWAII INC.**

1728 KAHAI STREET  
HONOLULU, HAWAII 96819  
TELEPHONE (808) 246-2455  
FACSIMILE (808) 243-3009

EXCISE NO. ABC 05927

170 KALANIKOA STREET  
HILO, HAWAII 96720  
TELEPHONE (808) 933-9035  
FACSIMILE (808) 933-9319

Letter no. 120.609

February 5, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Constructors Hawaii Inc. supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

Accordingly, **Constructors Hawaii Inc. supports H.B. 1194.**

Yours very truly,

CONSTRUCTORS HAWAII INC.

  
Colin Yoshiyama  
President



*A Minority Woman Owned & Operated Small Business*

500 ALAKAWA STREET, #119 • HONOLULU, HAWAII 96817 • PH: (808) 842-7955 • FAX: (808) 842-3985 • LIC #BC-14014

Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)

Via Fax: (808) 586-8437

February 5, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

HEARING

DATE: Wednesday, February 6, 2013

TIME: 2:30 p.m.

PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee.


**Waltz Engineering, Inc. supports the passage of H.B. 1194, Relating to Subcontractors** because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Waltz Engineering, Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

  
Linda L.S. Waltz  
President

# B BUILD PACIFIC

## GENERAL CONTRACTOR LLC

Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)

Via Fax: (808) 586-8407

February 6, 2013

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts deducted from the gross income of subcontractors.

### HEARING

DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

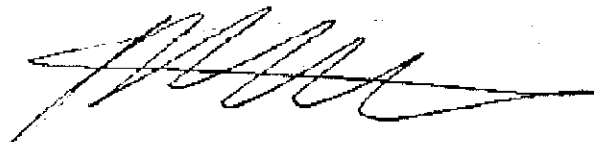
**Build Pacific General Contractor LLC. supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Build Pacific General Contractor supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.



Robert Bladet  
Owner



Maui 202 Lalo Street • Kahului, HI. 96732-2924  
Phone: (808) 877-3902 • Fax: (808) 871-6828  
Service Dept: (808) 877-4040 • Fax: (808) 873-6199  
Oahu 2265 Hoonee Place • Honolulu, HI. 96819  
Phone: (808) 841-2112 • Fax: (808) 847-1991

February 5, 2013

Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)  
Via Fax: (808) 586-8437

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE  
CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION  
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SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary  
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deducted from the gross income of subcontractors.

HEARING  
DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Dorvin D. Leis Co., Inc. supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,



Maui 202 Lalo Street • Kahului, HI. 96732-2924  
Phone: (808) 877-3902 • Fax: (808) 871-6828  
Service Dept: (808) 877-4040 • Fax: (808) 873-6199  
Oahu 2265 Hoonee Place • Honolulu, HI. 96819  
Phone: (808) 841-2112 • Fax: (808) 847-1991

February 5, 2013

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Via Fax: (808) 586-8437

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Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,





Maui 202 Lalo Street • Kahului, HI. 96732-2924  
Phone: (808) 877-3902 • Fax: (808) 871-6828  
Service Dept: (808) 877-4040 • Fax: (808) 873-6199  
Oahu 2265 Hoonee Place • Honolulu, HI. 96819  
Phone: (808) 841-2112 • Fax: (808) 847-1991

February 5, 2013

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included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on  
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that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii  
to the detriment of our industry.

**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,



Maui 202 Lalo Street • Kahului, HI. 96732-2924  
Phone: (808) 877-3902 • Fax: (808) 871-6828  
Service Dept: (808) 877-4040 • Fax: (808) 873-6199  
Oahu 2265 Hoonee Place • Honolulu, HI. 96819  
Phone: (808) 841-2112 • Fax: (808) 847-1991

February 5, 2013

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TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE  
CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION  
AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary  
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Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from the GET for two years, beginning July 1, 2011, particularly its effects on construction activity because of the included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

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**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,



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Oahu 2265 Hoonee Place • Honolulu, HI. 96819  
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February 5, 2013

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Via Fax: (808) 586-8437

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TIME: 2:30 p.m.  
PLACE: Conference Room 325

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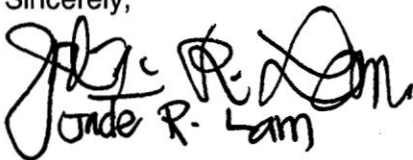
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*Michelle Balicoo*



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Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)  
Via Fax: (808) 586-8437

**TO:** HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE  
CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION  
AND COMMERCE

**SUBJECT:** SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary  
suspension under Act 105, SLH 2011, on the general excise tax exemption on amounts  
deducted from the gross income of subcontractors.

HEARING  
DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Dorvin D. Leis Co., Inc. supports** the passage of H.B. 1194, Relating to Subcontractors because it will  
repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET)  
exemption on amounts deducted from the gross income of subcontractors.

Our company remains concerned about Act 105 (SLH, 2011), which suspended several exemptions from  
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included subcontractor exemption. We fully support the scheduled sunset and termination of Act 105 on  
June 30, 2013, and this bill would ensure the termination of Act 105 does happen.

We believe that the suspension of the general excise tax exemption for construction is having a chilling  
effect on new developments that are not released due to the added cost. We are also deeply concerned  
that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii  
to the detriment of our industry.

**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,



**Maui** 202 Lalo Street • Kahului, HI. 96732-2924  
Phone: (808) 877-3902 • Fax: (808) 871-6828  
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SHIVA A. FORTADO  
590-0074





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Nancy Leis-Overton,  
Vice President



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We believe that the suspension of the general excise tax exemption for construction is having a chilling effect on new developments that are not released due to the added cost. We are also deeply concerned that the longer the suspension remains in effect, the more likely contracting business will change in Hawaii to the detriment of our industry.

**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

Randy Morgan,  
Project Manager



Maui 202 Lalo Street • Kahului, HI. 96732-2924  
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Service Dept: (808) 877-4040 • Fax: (808) 873-6199  
Oahu 2265 Hoonee Place • Honolulu, HI. 96819  
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February 5, 2013

Via E-mail: [CPCTestimony@capitol.hawaii.gov](mailto:CPCTestimony@capitol.hawaii.gov)  
Via Fax: (808) 586-8437

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE DEREK KAWAKAMI, VICE  
CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION  
AND COMMERCE

SUBJECT: SUPPORT OF H.B. 1194, RELATING TO SUBCONTRACTORS. Repeals the temporary  
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deducted from the gross income of subcontractors.

HEARING  
DATE: Wednesday, February 6, 2013  
TIME: 2:30 p.m.  
PLACE: Conference Room 325

Dear Chair Angus McKelvey, Vice Chair Derek Kawakami and Members of the Committee:

**Dorvin D. Leis Co., Inc. supports** the passage of H.B. 1194, Relating to Subcontractors because it will repeal the temporary suspension under Act 105, SLH 2011, regarding the general excise tax (GET) exemption on amounts deducted from the gross income of subcontractors.

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**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

Ken Kessler,  
Service Department Manager



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to the detriment of our industry.

**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

Darryl Vigneux,  
Project Manager



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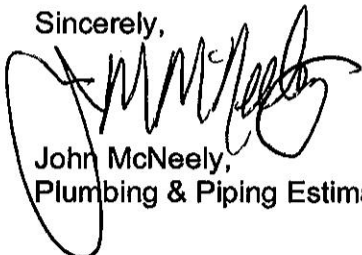
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**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,



John McNeely,  
Plumbing & Piping Estimator

PLUMBING • HEATING • AIR CONDITIONING • VENTILATION • SHEET METAL • FIRE SPRINKLERS • INDUSTRIAL PIPING  
DOMESTIC SOLAR HOT WATER HEATING • SOLAR AIR CONDITIONING • COGENERATION • ELECTRICAL • INSTRUMENTATION





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**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

Mark Shaw,  
Chief Estimator





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**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

David Randall,  
Plumbing & Piping Superintendent



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**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

David Painter,  
Director of Human Resources



Maui 202 Lalo Street • Kahului, HI. 96732-2924  
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to the detriment of our industry.

**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

Chris LeBlanc,  
Fire Sprinkler Estimator



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**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

Curtis Goertz,  
Sheet Metal Estimator



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**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

Irene Kushiya



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**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

Shirley Hoopai,





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to the detriment of our industry.

**Accordingly, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

  
Cheryl Kepa-Abreu,  
Executive Assistant





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**Finding ways to work around the tax increase has become the norm in the industry. Actions such as these will result in problems yet to be determined. For these reasons, Dorvin D. Leis Co., Inc. supports H.B. 1194.**

Thank you for the opportunity to testify in this matter.

Sincerely,

Stephen T. Leis,  
President