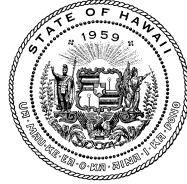


DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: February 10, 2016

Time: 9:20 A.M.

Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 3095, Relating to Taxation.

The Department of Taxation (Department) offers the following comments regarding S.B. 3095 for your consideration.

S.B. 3095 exempts from the General Excise Tax (GET) amounts received from services sold to the federal government. The amendment would render sales of all tangible personal property and services to the federal government exempt from the GET. The measure applies to taxable years beginning after December 31, 2015.

The Department has concerns that the preamble of this measure inaccurately describes the operation of the GET. The preamble bases the applicability of the GET on the domicile of the business and cites this as the justification for the exemption. However, services are subject to GET where they are used and consumed. This means that if a service provider has nexus with Hawaii and its services are used and consumed in Hawaii, the amounts received are subject to GET regardless of the domicile of the business.

Conversely, services that are used and consumed outside of Hawaii are exempted from GET under section 237-29.53, Hawaii Revised Statutes, regardless of the domicile of the taxpayer. This means that our Hawaii businesses are not subject to GET on services they provide that are used and consumed outside of Hawaii. Therefore, the current law does not have the unequal application the preamble cites to.

For the above reasons, the Department does not believe that this measure is necessary. In actuality, this measure may benefit Hawaii-based and out-of-state businesses equally, as it will exempt the services that out-of-state businesses with nexus provide to the federal government that would otherwise be taxable, because they are used and consumed in Hawaii.

The Department additionally notes that this measure is effective for taxable years beginning after December 31, 2015. The Department suggests that the effective date be changed to no earlier than January 1, 2016, in order to provide the Department sufficient time to make the

necessary changes to forms, instructions, and the Department's computer system. Furthermore, a retroactive effective date seems inappropriate to remedy the issue as presented because amounts could only be received if a taxpayer was awarded a contract.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Exempt Federal Sales of Services

BILL NUMBER: SB 3095

INTRODUCED BY: GALUTERIA

EXECUTIVE SUMMARY: This bill would exempt sales of services as well as goods to the federal government. Because of sourcing rules in existing law, however, the problem described in the bill's recitals may not exist, and this bill, which promises to have a substantial revenue cost, might not be the best approach to solving the problem.

BRIEF SUMMARY: Amends HRS section 237-25 to provide that the sale of services, as well as tangible personal property, to the United States shall be exempt. Retains current law treatment (only tangible personal property sales are exempt) for sales to state-chartered credit unions.

EFFECTIVE DATE: Tax years beginning after December 31, 2015.

STAFF COMMENTS: The problem sought to be remedied by the bill is stated in its recitals as follows:

Businesses domiciled and based in Hawaii must always include the general excise tax on their federal bids as a matter of their compliance with state law while out-of-state contractors do not because they are not domiciled or based in Hawaii. This unequal treatment of in-state versus out-of-state businesses is further exacerbated by the manner in which federal agencies oversee the federal bidding process and has opined that since the sale of goods to the federal government in Hawaii is not subject to the general excise tax, it will not require insertion or enforcement of this tax on bids for goods and services submitted to it. When coupled with the "lowest price technically accepted" rubric used by the federal government to select contract bidders who bid the lowest amount, Hawaii domiciled businesses routinely find themselves at a 4.712 per cent disadvantage.

The premise behind the bill might have been correct before the turn of the century, but is no longer accurate. Before 2000, the law provided that GET applied to service providers if the services they provided were performed in Hawaii, and that it did not apply to services performed out of Hawaii. Largely because of the problems recited in this bill, Acts 70 and 71, SLH 1999, and Act 198, SLH 2000, fundamentally changed the sourcing rules to provide that GET applies to services used or consumed in Hawaii, and doesn't apply to those used or consumed elsewhere. Thus, if a federal agency now wants a field office built in Hawaii, the GET will be imposed upon the contractor that does the job, irrespective of where the contractor is domiciled or based. Out-of-state contractors that come in to Hawaii to do such work and fail to pay the GET are routinely caught and "educated" by our department of taxation.

The revenue cost associated with this bill, which would appear to encompass services as well as contracting provided to the federal government, appears to be very substantial. It would be unfortunate if this bill were to be enacted for the wrong reasons.

Digested 2/6/16

Testimony In Support Of Senate Bill 3095 (SB3095)

I am testifying in support of Senate Bill 3095 which proposes to exempt goods and services sold to the Federal government by State of Hawaii based firms from the State General Excise (GET).

My reasons for supporting this measure are:

1. Pelatron, Inc. is a Hawaii based small business; marketing its services to the Department of Defense (DoD) and if Pelatron bids on work conducted in the State of Hawaii for the DoD, we must include the cost for the State of Hawaii General Excise Tax (GET) at a current rate of 4.712%.
2. Most DoD contracting offices consider that cost unallowable and therefore, we are not allowed to show that cost as a line item in our proposals and must bury that cost within our G&A or Overhead rates in order to include and cover that cost in our bids.
3. Margins are low for DoD work and in most cases, that 4-5% cost will make the difference between winning or losing a competition with firms that are located in other states and bidding on State of Hawaii work.
4. Most work conducted for the DoD within the State of Hawaii is not conducted by Hawaii based firms. For the most part, out of state contractors do not hire locally and bring personnel in from out of state to conduct the work. The revenue loss to the State of Hawaii is:
 - a. A loss of General Excise Tax (GET) as revenues for these projects are shown as being conducted out-of-state;
 - b. A loss of payroll taxes because personnel are shipped in to conduct the work rather than being hired locally;
 - c. A loss of other corporate taxes, levies and fees that would be levied upon State of Hawaii based firms and that are not levied upon out-of-state firms.
5. Supporting SB3095 would make Hawaii based firms more competitive, and would actually increase revenue for the State of Hawaii, not diminish it.

I ask that you pass SB3095 and allow our local firms to be more competitive, increase local employment and bring more revenue in to the State of Hawaii.

Mahalo,

Thomas Aimoku McClellan
Chairman and Chief Executive Officer
Pelatron, Inc.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: chad@actthawaii.com
Subject: *Submitted testimony for SB3095 on Feb 10, 2016 09:20AM*
Date: Monday, February 08, 2016 10:24:49 AM

SB3095

Submitted on: 2/8/2016

Testimony for WAM on Feb 10, 2016 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Chad Kobashigawa	ACTT	Support	No

Comments:

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

**Legislative Testimony
In SUPPORT of SB3095**

**David E. K. Cooper, President
Hui O Hana Pono**

**Senate Ways and Means Committee
Senator Jill Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair**

**Wednesday, February 10, 2016
9:20 a.m., Conference Room 211**

Aloha Chair Tokuda, Vice Chair Dela Cruz, and Honorable Members of the Committee.

Thank you for this opportunity to submit testimony in SUPPORT of SB 3095, providing an exemption on goods and services sold to the Federal government from the State General Excise Tax (GET).

Hui O Hana Pono (Hui) is a non-profit corporation and Native Hawaiian Organization (NHO) recognized by the Federal Government and incorporated in the State of Hawaii. Hui is the majority owner of five Native Hawaiian-owned firms. The Hui guides business strategies of The Hana Group, Inc. (small business), HBC management Services, Inc. (small business), Hana Industries, Inc. (8(a)), Hana Technology & Systems, Inc. (8(a)), and Hana Enterprises (small business). The mission of the Hui is to improve the lives and livelihood of Native Hawaiians by: Helping them help themselves through leadership, environmental stewardship, cultural preservation, arts and community service; creating economic opportunities for Native Hawaiian-owned business; developing economic leadership opportunities for Native Hawaiian and promoting Native Hawaiian values as universal values. The Hui accomplishes its mission from the profits of its 5 companies doing business as a contractor with the Federal government.

SB 3095 will level the playing field for all Federal contracts competed in the State. Currently all Native Hawaiian Organizations and small businesses domiciled and based in the State are required to include the 4.712% GET as part of their pricing to comply with State law. Conversely, out of state companies competing for the same contract are not required by the Federal Government to include the 4.712% GET as part of their pricing proposal providing a significant competitive advantage. This makes it very challenging for the small Hawaii based companies and even more favorable for the non-Hawaii based companies, as contracts are being awarded on the practice of "Lowest Price Technically Acceptable" bidding process. At the present time there is no measurement or indicator to quantify the amount of tax revenue that leaves the State as a result of an out-of-state company not being required to pay their portion of the GET on revenue earned from the contract.

HUI O HANA PONO

A Native Hawaiian Organization



Hui strongly supports SB 3095. This exemption will allow Hawaii based companies to be better positioned against non-Hawaii based companies and be successful winning more Federal contracts and to keep the jobs and contract dollars in Hawaii. The additional contracts dollars will allow Native 8(a) programs to increase the support they will be able to provide and strengthen Native Hawaiian Programs in the State of Hawaii.

Thank you for your consideration and the opportunity to SUPPORT SB3095.

David E. K. Cooper
Hui O Hana Pono
dcooper@thehanagroup.com
(808)522-7278

HUI O HANA PONO

A Native Hawaiian Organization



Aloha Senator Tokuda and all Committee Members;

My name is Ron Jarrett. I am the President of Na Oihi Kane, a Native Hawaiian Organization (NHO) as defined in the US Small Business Act. Myself and our NHO are fully supportive of this Bill. I write this testimony to urge the adoption of this Bill, SB3095. As an NHO, the US government has granted us the ability to own several companies that participate in the US Small Business Act Section 8(a) federal contracting program. This program allows for preferences to be given in federal contracts as long as the companies are owned by the NHO and the NHO provides charitable social services work that principally benefits the Native Hawaiian Community. I mention the latter to let you know that the full effect of this Bill is not only in the creation of additional economic activity, but also provides for financial support of much needed social programs in the Native Hawaiian Community. These social contributions can only be made if the companies are able to grow and generate a profit. And that again, brings me to the purpose of this Bill. It allows these types of companies to grow and to be created if the GET is exempted for Federal sales of goods and services.

I tell you all this to point out just this one segment of the federal marketplace for small businesses in Hawaii. The actual impact of this bill will be much greater as it impacts all small business, regardless of ownership makeup, located within the State of Hawaii. This is truly a 'fairness' issue to level the playing field and allow local Hawaii small businesses to compete for federal work done in the State of Hawaii. Currently much of that work is being awarded to out of State firms that do not generate additional economic activity in Hawaii. They do not even pay the GET unless you the State spends additional State dollars to locate them and then take them to court.

If this Bill is enacted, not only do you create new companies, you also allow those companies to create new 'white collar' type jobs within the state. This Bill will lead to substantial increases in Income taxes from both corporate and personal income. The information provided below shows that with the current estimates for existing companies that can now grow larger, and with the addition of new companies that will be created, the State of Hawaii can collect over one hundred million dollars over the next ten years.

I urge that the Committee approve this Bill.

Existing Mid sized Companies	Increase in number of companies as a result of lifting GET	Total Number of Mid sized Companies	Employees in Back Office	Average Salary	Total Salaries	Tax @ 8%	Existing Tax Collected over 10 Years for existing mid sized companies	Increase in Tax Collected from new companies as a result of lifting GET	Tax Collection Over 10 Years
5	15	20	25	\$65,000.00	\$32,500,000	\$2,600,000.00	\$6,500,000.00	\$19,500,000.00	\$26,000,000.00
		Number of Mid sized Companies	Average Gross Sales	Average Profit	State Income Taxed	Tax @ 6%			
5	15	20	\$30,000,000	10%	\$60,000,000	\$3,600,000.00	\$9,000,000.00	\$27,000,000.00	\$36,000,000.00
		Number of Small sized Companies	Average Gross Sales	Average Profit	State Income Taxed	Tax @ 6%			
50	50	100	\$5,000,000	8%	\$40,000,000	\$2,400,000.00	\$12,000,000.00	\$12,000,000.00	\$24,000,000.00
		Number of Small sized Companies	Employees in Back Office		Total Salaries	Tax @ 8%			
50	50	100	4	\$50,000.00	\$20,000,000	\$1,600,000.00	\$8,000,000.00	\$8,000,000.00	\$16,000,000.00
						Tax @ 4%			
		State Unemployment			\$52,500,000	\$2,100,000.00			\$21,000,000.00
						TOTAL	\$35,500,000.00	\$66,500,000.00	\$123,000,000.00

From: Philip Kahue, President
Kūpono Government Services, LLC

Submitted on: February 9, 2016

Testimony on Bill # SB3095, relating to exempts sales of services or tangible personal property to the federal government from the general excise tax.

Submitted to: The Senate Committee on Ways and Means (WAM) in Conference Room #211.

Aloha Chair Tokuda, Vice-Chair Dela Cruz, and Members of the Committee,

I support SB3095. As the President of a small Native Hawaiian Organization (NHO) – owned business in Hawai'i, we have been at a competitive disadvantage to winning federal government contracts and remaining profitable in Hawai'i, when compared to businesses from the mainland U.S., who bid on these same federal government contracts.

The State of Hawai'i is not allowed to collect Hawai'i General Excise Tax (HIGET) from the Federal Government for services or products acquired or received in Hawai'i. However, Hawai'i-based businesses are required to pay the HIGET on all goods and services provided to the Federal Government in Hawai'i, to the State of Hawai'i Department of Taxation.

The Federal Government will not allow Hawai'i-based businesses to charge the HIGET as an indirect expense for goods or services the Federal Government receives in Hawai'i. A Hawai'i-based business then only has two (2) alternatives: Try to hide the HIGET as a direct charge attached to labor, or absorb the cost of the HIGET as an unallowable on their cost ledger.

The first competitive disadvantage for a Hawai'i-based business is if they don't want to absorb the HIGET, it artificially inflates their price by 4.712 percent, lessening their chance of a contract win against a lower cost competitor from the mainland U.S.

The second competitive disadvantage for the Hawai'i-based business is if they should win the contract with the Federal Government, they have to account for the HIGET in their cost, thus reducing their profitability.

While the collection of HIGET may seem like a problem for the Hawai'i-based business bidding on Federal Government contracts and not the State of Hawai'i, it does impact the State of Hawai'i in at least two (2) ways:

- a. Hawai'i-based businesses utilize their profits in Hawai'i, by either growing infrastructure, increasing staffing (jobs) or philanthropic giving. Mainland companies are less likely to invest in Hawai'i.

- b. Less profitable Hawai'i-based businesses means less corporate taxes, and less unemployment taxes collected by the State of Hawai'i.

Thank you for the opportunity to provide this written testimony.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: kimo.jarrett@jtsii.net
Subject: Submitted testimony for SB3095 on Feb 10, 2016 09:20AM
Date: Monday, February 08, 2016 5:19:58 PM

SB3095

Submitted on: 2/8/2016

Testimony for WAM on Feb 10, 2016 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Kimo Jarrett	JTSI Inc.	Support	No

Comments: We support SB3095. We are a small business domiciled in the State of Hawaii and constantly face unfair competition from mainland firms that do not add the State GET. We support this Bill so that we may fairly compete for federal work done in Hawaii. This will help us grow and hire more employees to staff our headquarters. This will create more jobs and allow Hawaii companies to grow.

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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From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: Kanani@honuservices.com
Subject: Submitted testimony for SB3095 on Feb 10, 2016 09:20AM
Date: Monday, February 08, 2016 5:28:04 PM

SB3095

Submitted on: 2/8/2016

Testimony for WAM on Feb 10, 2016 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Kanani Jarrett	Honu Services	Support	No

Comments: Aloha Senator Tokuda and Committee members; We support the passage of SB3095. For too many years now, as a result of this skewed tax policy, we have been at a competitive disadvantage. Out of state firms have always been more successful bidders because they do not apply the GET to their bids. You are only hurting Hawaii companies by doing this. We have seen our growth stagnate or shrink over the many years we have been in business. With the Committee's support and passage of this Bill, we can create new jobs here in Hawaii. We can also help others create new companies to increase the economic activity within the State of Hawaii. This Bill allows us to keep jobs in Hawaii. Thanks again and please pass this Bill.

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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**Legislative Testimony
In SUPPORT of SB3095**

**Wendell Jung, President
Pelatron Center for Economic Development**

**Senate Ways and Means Committee
Senator Jill Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair**

**Wednesday, February 10, 2016
9:20 a.m., Conference Room 211**

Aloha Chair Tokuda, Vice Chair Dela Cruz, and Honorable Members of the Committee,

Thank you for this opportunity to submit testimony in SUPPORT of SB3095, providing an exemption on goods and services sold to the Federal government from the State General Excise Tax (GET).

The Pelatron Center for Economic Development (PCED) is a non-profit corporation established to advance and promote the economic welfare of the Native Hawaiian community. PCED is an active participant in the Native Hawaiian Organizations (NHO) program and works very hard to accomplish its goals to develop community and business partnerships that provide mentoring, training, business incubation and other innovative activities. These partnerships leverage established contracting programs of the U.S. federal government including the Department of Defense, other Federal Government agencies. We value our opportunity to protect, promote, and advance the SBA 8(a) Business Development program for Native Hawaiian Organizations as well as other 8(a) companies based in the state of Hawaii.

Certified Native 8(a) Hawaiian Organizations and other 8(a) certified government contractors domiciled and based in Hawaii, must always consider and calculate into their bids the 4.712% GET to comply with state law. This creates a disadvantage for Local businesses because non-Hawaii based contractors, bidding on local jobs do not, therefore they are able to drive their bid well below that of the Hawaii companies. For some of these out-of-state firms, they have significant resources to support themselves and can submit lower bids which the smaller local firms are not able to do. This makes it very challenging for the small Hawaii based companies. This situation becomes even more favorable for the non-Hawaii based companies being awarded the contacts based on the Federal government's practice of "Lowest Price Technically Accepted" bidding process. At the present time, there is no measurement or indicator to quantify the amount of tax revenue that leaves the state as a result of an out-of-state company not being required to pay their portion of the GET on revenue earned from the contract.

PCED strongly supports SB3095. This exemption will allow Hawaii based firms to be better positioned against non-Hawaii based contractors to keep the jobs and contract dollars in Hawaii as the Native 8(a) programs are intended to do as well as meeting our goals to strengthen our Native communities.

Thank you for your consideration and the opportunity to SUPPORT SB9035.

Wendell Jung
wjung@pcednho.org
808-629-7016

**Legislative Testimony
In SUPPORT of SB3095**

**Wendell Jung, President
Native Hawaiian Organizations Association**

**Senate Ways and Means Committee
Senator Jill Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair**

**Wednesday, February 10, 2016
9:20 a.m., Conference Room 211**

Aloha Chair Tokuda, Vice Chair Dela Cruz, and Honorable Members of the Committee,

Thank you for this opportunity to submit testimony in SUPPORT of SB3095, providing an exemption on goods and services sold to the Federal government from the State General Excise Tax (GET).

The Native Hawaiian Organizations Association (NHOA) is an advocacy organization whose mission is to protect, promote, and advance the legislative intent of the SBA 8(a) Business Development program for Native Hawaiian Organizations. Additionally, the NHOA is a 501(c)(6) non-profit corporation focusing on creating economic engines with the mission to give back to the Native Hawaiian community. The NHOA strives to accomplish its goals to develop community and business partnerships that leverage established contracting programs of the U.S. federal government including the Department of Defense, other Federal Government agencies. We value our opportunity to protect, promote, and advance the SBA 8(a) Business Development program for Native Hawaiian Organizations as well as other 8(a) companies based in the state of Hawaii.

Certified Native 8(a) Hawaiian Organizations and other 8(a) certified government contractors domiciled and based in Hawaii, must always consider and calculate into their bids the 4.712% GET to comply with state law. This creates a disadvantage for Local businesses because non-Hawaii based contractors, bidding on local jobs do not, therefore they are able to drive their bid well below that of the Hawaii companies. For some of these out-of-state firms, they have significant resources to support themselves and can submit lower bids which the smaller local firms are not able to do. This makes it very challenging for the small Hawaii based companies. This situation becomes even more favorable for the non-Hawaii based companies being awarded the contacts based on the Federal government's practice of "Lowest Price Technically Accepted" bidding process. At the present time, there is no measurement or indicator to quantify the amount of tax revenue that leaves the state as a result of an out-of-state company not being required to pay their portion of the GET on revenue earned from the contract.

The NHOA strongly supports SB3095. This exemption will allow Hawaii based firms to be better positioned against non-Hawaii based contractors to keep the jobs and contract dollars in Hawaii as the Native 8(a) programs are intended to do as well as meeting our goals to strengthen our Native communities.

Thank you for your consideration and the opportunity to SUPPORT SB9035.

Wendell Jung
Native Hawaiian Organizations Association
808-629-7016



February 9, 2016

SENATE COMMITTEE ON WAYS AND MEANS

Chair Jill Tokuda, Vice Chair Donovan Dela Cruz and Members

Public Hearing, February 10, 2016 at 9:20 am, Conference Room 211

**TESTIMONY OF WILLIAM F. ANONSEN
MANAGING PARTNER OF THE MARITIME GROUP, LLC
IN SUPPORT OF S.B. 3095, RELATED TO GENERAL EXCISE TAX**

My name is William Anonsen and I am the Managing Partner/Principal of THE MARITIME GROUP, LLC. We strongly support SB 3095 which proposes to exempt the sale of certain services and/or products to the U.S. federal government from Hawaii's general excise tax, similar to the vast majority of states on the mainland.

Historically, state and local governments and the U.S. federal government have reciprocally exempted each other from paying excise and other taxes. Although the continuation of imposing the Hawaii General Excise Tax on federal service contracts may from the surface appear to be prudent public policy to bring in additional revenue to the state, it does just the opposite and serves to stifle the state's economic growth in the long term.

As a result of this flawed tax policy, Hawaii businesses have been put in a competitive disadvantage, because businesses based and domiciled in Hawaii are less price-competitive than their out-of-state counterparts who are exempt by their respective states from state excise tax assessments for the sale of these same services and products. Regrettably jobs and investment opportunities are being lost as employers seek to relocate or expand to the mainland with competitive cost structures. Hawaii's small businesses and working families will continue to be disproportionately affected. As with many ideas, what may appear appealing at first, often can go awry when their longer-term ramifications are not properly evaluated and/or clearly understood.

A number of states that have attempted a broad-based sales tax on services have either scaled back on the number of services taxed, or have repealed the tax altogether because the tax put in-state businesses at a competitive disadvantage, threatened jobs, or was difficult for tax agencies to administer. Florida, Maryland, Massachusetts and Michigan all repealed their service taxes shortly after they were enacted.

The provisions of Hawaii's tax laws in their current form are not fair and equitable to local businesses based and domiciled in Hawaii and continue to put Hawaii based businesses at a competitive disadvantage.

Mahalo for the opportunity to comment on this measure which helps to remedy this inequity

Sincerely,

William F. Anonsen

William F. Anonsen

Managing Partner/Principal

**1221 Kapiolani Blvd., Suite 1032, Honolulu, Hawaii, 96814
Tel: (808) 589-1223 www.The-Maritime-Group.com**



2758 S. King Street, Suite 202, Honolulu, Hawaii 96826
www.revacomm.com

I would like to testify in favor of bill SB 3095 that is seeking to exempt sales of services and tangible personal property to the federal government from the general excise tax for Hawaii companies.

I have in business for over 25 years in Hawaii, focused mostly in the commercial marketing for IT services. It has always been a struggle to start and build a viable business here due to many factors such as the size of the marketplace, geographic location, etc., but one of the most challenging factors is the amount of taxes local companies need to pay to continue to do business here.

We have recently began efforts to expand our services to the Federal Government. Over the past 10 months that we have invested in growing this market it has become apparent that many of the contracts available to local companies are under the criterion of lowest price technically accepted. In many cases, for a company to provide a competitive bid, many contracts require a profit target of 6% or lower. When calculating the additional 4.712% GET that local companies like ours must pay, this puts us at a huge disadvantage when competing against out-of-state companies who are not subjected to this tax. These companies also have no connection or affection to Hawaii and the people who work here except for the profits that they can take out of the state.

Please support this bill and support local businesses in Hawaii.

Elden Ito
President

In Support of SB3095

To Whom It May Concern:

I am in support of SB3095. As a director of a Native Hawaiian owned Non-Profit, that provides support to our Native Hawaiian people, I strongly support SB3095. Also, as Procurement Manager of a Small Business Federal Contractor, I strongly support SB3095.

As a director of a non-profit, eliminating the GE tax will allow more contracts to be won and provide more monies to help our Native Hawaiian people.

As a Procurement Manager, I have experienced the effect of adding GE tax to a federal contracting bid and seeing the contract being awarded to a company outside of Hawaii. We have lost many contracts because of a slight margin. Eliminating the GE tax, when bidding on federal contracts, would provide an advantage to "local" businesses across the state of Hawaii. This will boost our economy because money will stay in Hawaii, versus going out to other states. This is a win-win situation.

I strongly urge you to pass SB3095 for the betterment of the people of Hawaii.

Sincerely,
Maylisajoy Kamakeeaina



Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair
Committee on Ways and Means

Testimony in Support for S.B. 3095, Relating to Taxation
Wednesday, February 10, 2016

Pelatron Technologies, LLC (PTech), a Hawaii technology engineering and manufacturing firm, is providing testimony in support of SB 3095, which would provide a critical tax exemption for small businesses in Hawaii that bring in federal funds to our State.

PTech is an early stage 8(a) small business defense contractor with 35 employees. With the federal funding we have been awarded, PTech hires and trains Native Hawaiians and local residents to fulfill our contract work to the greatest extent possible. Federal awards are the life-blood of PTech so that it can continue to provide high quality jobs for its employees. PTech's commitment to hiring local is more costly than outsourcing or recruiting from out of state, but we are committed to supporting our local community.

The State of Hawaii's current General Excise Tax levy on goods and services to federal government is detrimental to PTech winning federal funds. Most federal contracts are awarded on a low price basis. It is becoming more difficult for PTech to compete with mainland firms for these contracts, because our competitors' infrastructural cost of doing business is less than Hawaii, and importantly—our competitors are not burdened with an additional state tax that increases the bid price that often makes our bids non-competitive. Faced with such low profit margins, we are increasing deciding not to bid on federal contracts because we would lose money if we won.

The passage of SB 3095 will remove a business tax burden that is levied by only Hawaii and two other states in nation. SB 3095 will help level the federal funding playing field for PTech and other small businesses in Hawaii, so we can be more competitive to win more federal funding, and in turn invest the federal dollars back into Hawaii, including job creation and other business and income tax dollars.

We urge the committee to pass SB 3095. Mahalo for allowing PTech to testify in support of this important bill.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: dmotoyam@gmail.com
Subject: *Submitted testimony for SB3095 on Feb 10, 2016 09:20AM*
Date: Monday, February 08, 2016 10:25:04 AM

SB3095

Submitted on: 2/8/2016

Testimony for WAM on Feb 10, 2016 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Dean Motoyama	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: sakuraglobalent@gmail.com
Subject: Submitted testimony for SB3095 on Feb 10, 2016 09:20AM
Date: Monday, February 08, 2016 1:22:20 PM

SB3095

Submitted on: 2/8/2016

Testimony for WAM on Feb 10, 2016 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Sakura Thompson	Individual	Support	No

Comments: Local businesses should not have to pay more for government contracts.
I support SB 3095 to level the playing field for local businesses.

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Cc: lahela@honuservices.com
Subject: Submitted testimony for SB3095 on Feb 10, 2016 09:20AM
Date: Monday, February 08, 2016 3:31:57 PM

SB3095

Submitted on: 2/8/2016

Testimony for WAM on Feb 10, 2016 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Lahela	Individual	Support	No

Comments: I support SB 3095. I work for a small business domiciled in Hawaii that competes for Federal contracts. SB 3095 seeks to level the playing field so that we can compete on equal footing with out-of-state companies that do not have their State GET attached to every bid proposal. SB 3095 would generate more State revenue through increased business and personal income taxes. When small businesses thrive, so does the economy. More awards for Hawaii businesses creates more jobs. I urge you to pass SB 3095.

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Cc: ray.jardine@nativehawaiianveterans.com
Subject: Submitted testimony for SB3095 on Feb 10, 2016 09:20AM
Date: Monday, February 08, 2016 5:34:24 PM
Attachments: [TESTIMONY SB3095 FEB 2016.doc](#)

SB3095

Submitted on: 2/8/2016

Testimony for WAM on Feb 10, 2016 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Raymond Jardine	Individual	Comments Only	No

Comments: Corrected version.

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Cc: forestaf@gmail.com
Subject: Submitted testimony for SB3095 on Feb 10, 2016 09:20AM
Date: Tuesday, February 09, 2016 8:16:16 AM

SB3095

Submitted on: 2/9/2016

Testimony for WAM on Feb 10, 2016 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Forest Frizzell	Individual	Support	No

Comments: I fully support this bill. Thanks for your attention to the local business community.

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