



## HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

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The Twenty-Fifth Legislature, State of Hawaii  
Hawaii State House of Representatives  
Committee on Economic Revitalization, Business & Military Affairs

Testimony by  
Hawaii Government Employees Association  
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H.B. 1586 – RELATING  
TO TAXATION

The Hawaii Government Employees Association supports the purpose and intent of H.B. 1586, which will allow the State of Hawaii to tax companies conducting business here, but who are domiciled elsewhere, if certain criteria are met. Essentially, it creates a nexus standard for taxing out-of-state businesses locally.

As our national economy has evolved, much more activity takes place through the Internet. There are several reasons for taxing Internet-based transactions. Retail trade has been transformed by the Internet. As the popularity of “e-commerce” grows, fairness dictates that Internet-based transactions should be treated in the same manner as other retail transactions. Retail transactions that are taxable by “bricks and mortar” retailers should also be taxable when sold through the Internet.

Hawaii has already lost millions of dollars in Internet-based sales, and the losses will likely increase as the importance of the Internet continues to grow. Therefore, we support H.B. 1586 as it will help with the collection of taxes. The ongoing loss of millions in tax revenue from e-commerce is a problem that will get worse over time unless we take appropriate action. The revenues gained through H.B. 1586 may fund public education and other important public policy priorities.

Thank you for the opportunity to testify in support of this important measure.

Respectfully submitted,

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Deputy Executive Director