

SB 1346



**Testimony to the Senate Committee on Ways and Means
Wednesday, March 4, 2009
9:30 a.m.
Conference Room 211**

RE: SENATE BILL NO. 1346, SD1 RELATING TO TAXATION

Chair Mercado Kim, Vice Chair Tsutsui, and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber is opposed to SB 1346 in its current form.

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

Senate Bill 1346 increases the general excise tax to fund public education; exempts groceries; certain medical expenses, and a portion of rent from the general excise tax. The measure also establishes a tax credit for volunteer services performed in public schools; increases the standard deduction; and establishes an education funding commission.

While we understand the intent of this measure and the urgency to find a solution to address the current fiscal status of the State's budget, the Chamber does not support an increase in the General Excise Tax.

Businesses are already struggling to stay afloat and trying their best in continuing to provide benefits to their employees and avoiding job cuts during these tough economic times. Merely keeping up with operating expenses is difficult, especially for small businesses. Therefore, a tax increase will become an additional cost imposed on companies that they cannot afford to undertake at this time.

The priorities should be to save and create jobs and to revitalize the economy. Raising the GET, we believe, is not the appropriate solution.

However, we recognize that during these tough times, we need to remain steadfast in our search for a workable solution and this can't be done unless we work together. Therefore, we pledge to actively participate in discussions in evaluating a variety of options.

Thank you for the opportunity to provide testimony.



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March 3, 2009

The Honorable Donna Mercado Kim, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: S.B. 1346, S.D. 1, Relating to Taxation

HEARING DATE: Wednesday, March 4, 2009 at 9:30 a.m.

Aloha Chair Kim and Members of the Committee on Ways and Means:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of the HAR and its 9,600 members in Hawai'i. HAR **strongly opposes** the General Excise Tax ("GET") increase contained in S.B. 1346, S.D.1, Relating to Taxation.

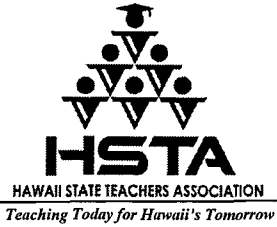
HAR believes that, while education is of great value to the State, the GET increase contained in S.B. 1346, S.D.1 will drastically increase the already high cost of housing, living, and, in the first instance, doing business in Hawaii.

The GET is paid by businesses. If businesses cannot pass on the increased GET to their customers, they will simply incur a greater expense and may sustain greater losses in these tough economic times.

HAR believes that any truly fair and equitable means of raising the funds necessary for education requires a thorough examination of all possible sources of revenue and not just an increase in the GET.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.



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**TESTIMONY BEFORE THE SENATE COMMITTEE ON
WAYS AND MEANS**

RE: SB 1346, SD1 – RELATING TO TAXATION.

March 4, 2009

**ROGER TAKABAYASHI, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION**

Chair Kim and Members of the Committee:

The Hawaii State Teachers Association agrees with the intent of SB 1346, which will increase the general excise tax (GET) to fund public education and establish an education funding commission to provide oversight for general excise tax revenues deposited into the newly created education special fund, along with exempting certain expenses from the GET and establishing certain tax credits. HSTA appreciates the Legislature’s support for the betterment of our public school education system in Hawaii. The bill will also benefit local taxpayers in the form of tax relief for certain line items.

In the current economic situation, we are facing major budget cuts that will gravely affect the education services we provide to the children of Hawaii. Raising the GET will help generate the necessary funds needed to offset current and future budget cuts by the Department of Education (DOE). We understand that the revenues generated from the increase will be placed in an Education Special Fund, to be used for repair and maintenance (R & M) projects, capital improvement projects, learning materials, technology and equipment, increasing the base per pupil allocation in the weighted student formula, and providing workforce training for teachers.

HSTA agrees that it is necessary to find solutions to compensate the budget cuts, and this bill to raise the GET is a conscientious solution.

Thank you for the opportunity to testify.

Senator Donna Mercado Kim, Chair
Senator Shan Tsutsui, Vice Chair
Committee on Ways and Means



HEARING Wednesday, March 04, 2009
 9:30 am
 Conference Room 211
 State Capitol, Honolulu, Hawaii 96813

RE: SB 1346, SD1, Relating to Taxation

Chair Kim, Vice Chair Tsutsui, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii.

RMH opposes SB1346, SD1, which increases the general excise tax to fund public education; exempts groceries, certain medical expenses, and a portion of rent from the general excise tax; establishes a tax credit for volunteer services performed in public schools; increases the standard deduction; establishes an education funding commission to provide oversight for general excise tax revenues deposited into the newly created education special fund.

The provision exempting groceries and over the counter non-prescription medication and prescription eyewear will be extremely costly for retailers to implement. Considering the vast variety and thousands of products offered in most stores, precise definitions for exempt food and over the counter drugs must be developed. POS register systems will have to be updated and constantly maintained as new products are introduced. Further administrative costs will be incurred just to manage and submit required tax forms and reports.

The greatest costs will be borne by smaller retailers and mom-and-pop stores that have neither sophisticated computer systems nor adequate staffing. As with all increases in business expenses, **these costs must and will be passed on to our customers.**

At a time when businesses are struggling to keep doors open and retain staffing levels, AND consumers are struggling to keep their heads above water, we respectfully ask your consideration to NOT add greater burden to our cost of doing business or to our cost of living.

We respectfully request that you hold SB1346, SD1. Thank you for your consideration and for the opportunity to comment on this measure.

A handwritten signature in cursive script, appearing to read 'Carol Pregill'.

Carol Pregill, President

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1346, S.D. 1

March 4, 2009

RELATING TO TAXATION

Senate Bill No. 1346, S.D. 1, increases the general excise tax to fund public education and creates an Education Special Fund into which general excise tax revenues, collected by the Department of Taxation under Section 237-31, would be deposited to be used solely for the support of early education and public schools.

As a matter of general policy, we are opposed to the practice of revenue earmarking for specific purposes. This arrangement will, in effect, remove any proposed funding increases from the customary established budgetary process whereby all requests for funding must be justified and compete for limited public resources.



Before the Senate Committee on Ways and Means

DATE: March 4, 2009
TIME: 9:30 a.m.
PLACE: Conference Room 211

Re: SB1346 SD1 Relating to Taxation Testimony of Melissa Pavlicek for NFIB Hawaii

Thank you for the opportunity to testify. On behalf of the thousands of business owners who make up the membership of the National Federation of Independent Businesses in Hawaii, we ask that you reject SB 1346 SD1. NFIB respectfully opposes this measure in its current form.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents more than 1,000 members. NFIB's purpose is to impact public policy at the state and federal level and be a key business resource for small and independent business in America. NFIB also provides timely information designed to help small businesses succeed.

We believe that such legislation during these challenging economic times will add costs to doing business in Hawaii and will ultimately hurt businesses, their employees and the economy as a whole.

WRITTEN COMMENTS

Date: 03/04/2009

Committee: Senate Ways and Means

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent of Education

Title of Bill: SB 1346, SD1 RELATING TO TAXATION.

Purpose of Bill: Increases the general excise tax to fund public education; exempts groceries, certain medical expenses, and a portion of rent from the general excise tax; establishes a tax credit for volunteer services performed in public schools; increases the standard deduction; establishes an education funding commission to provide oversight for general excise tax revenues deposited into the newly created education special fund. (SD1)

Department's Position: The Department of Education opposes SB 1346, SD 1, due to continued areas of concern and some continued recommendations for amendments, that we presented earlier to the Senate Committee on Education and Housing, which were not implemented in the current draft.

First of all, the Department of Education appreciates the Legislature's attempts to provide a consistent, long-term, sustainable source of funding for public education. Regarding the proposed tax increases, those are public policy decisions. We defer to the State Department of Taxation for comments on implementation of the bill's tax provisions.

Here are the two areas of continued concern from the Department of Education's perspective:

1. **Volunteer Tax Credit:** Although we applaud the Legislature's support for volunteers for public schools, in this measure, the State Department of Taxation is directed to provide a method of documenting the actual performance by taxpayers of the hours of general volunteer services. The Department of Education has been attempting to address the challenges of gathering of data on volunteers. A pilot comprehensive system of tracking volunteer data has been implemented at certain schools;

however, the statewide implementation of this volunteer tracking system is far from completion. We are currently using a web-based software at helphawaiischools.com that captures volunteer profile information completed online and is updated by volunteers themselves. However, we currently only have 42 schools participating in this first year of implementing the pilot program, out of 257 schools, representing 16% of our schools. Additional funding of approximately \$315,000 would be needed to expand the use of the tool by all schools if an accelerated timeline were required, for the remaining 84% of our public schools to implement this volunteer tracking system. Due to the current budget crisis situation in the state, funding for this purpose would probably not be feasible at this time. Therefore, the Department of Education would not be able to provide sufficient data for the Department of Taxation to implement the volunteer tax credit in this measure as currently drafted.

2. Education funding commission: The Department of Education opposes creating an education funding commission, which is defined by the measure as being "within the Department of Education, for administrative purposes only." The measure states that this commission would determine allocations of the special fund monies, for capital improvement program (CIP) and repairs & maintenance (R&M) projects, weighted student formula needs, etc. We are very concerned that creation of a commission would establish a miniature of the existing Legislative and Executive Branches, within the Department of Education, to decide how to use these special funds. We can foresee funding allocations possibly biased towards the constituent geographic areas of the Legislative Branch members, and influenced by the Executive Branch's policies, which may differ from that of the Legislative Branch members.

If this measure is to be considered viable by the Senate Committee on Ways and Means, the Department of Education continues to recommend the following amendments:

- a. Consult with the State Department of Taxation for alternatives to structure the volunteer tax credit, with perhaps recommendations to simplify the proof of volunteer work at public schools.
- b. Remove the education funding commission section of this measure, and replace it by assigning the responsibility of allocations of the education special fund to the Board of Education, assisted by the Department of Education.

The Department opposes SB 1346, SD 1, since the above-mentioned recommendations were not implemented in the current draft, and its implementation must not impact or replace the priorities set forth in the Executive Biennium Budget for 2009-2011.