

THIRTY-SEVENTH DAY

Friday, March 19, 1982

The Senate of the Eleventh Legislature of the State of Hawaii, Regular Session of 1982, convened at 11:30 o'clock a.m., with the President in the Chair.

The Divine Blessing was invoked by the Reverend Philip D'Auby, Associate Pastor of the Star of the Sea Catholic Church, after which the Roll was called showing all Senators present with exception of Senators Anderson, Henderson, Machida and Young who were excused.

The President announced that he had read and approved the Journal of the Thirty-Sixth Day.

The following introductions were then made to the members of the Senate:

Senate Kuroda, on behalf of the Senators from the Fourth Senatorial District, introduced a group of 40 sixth grade students from Pearl City Highlands Elementary School and their teachers: Mrs. Jean Higashi, Mrs. Kitty Aihara, Mrs. Amy Hironaka and Miss Karen Kato.

Senator Saiki, on behalf of Senator Anderson, introduced 40 members of the Golden Age Senior Citizens Club.

MESSAGE FROM THE GOVERNOR

A message from the Governor (Gov. Msg. No. 183), transmitting copies of the 1980-1981 Annual Report prepared by the Department of Taxation, in compliance with Section 231-3 (8), HRS, was read by the Clerk and was referred to the Committee on Ways and Means.

SENATE CONCURRENT RESOLUTION

A concurrent resolution (S.C.R. No. 41), entitled: "SENATE CONCURRENT RESOLUTION REQUESTING THE BOARD OF EDUCATION TO IMPLEMENT CARDIO-PULMONARY RESUSCITATION TRAINING IN HIGH SCHOOLS," was offered by Senators Cayetano, Abercrombie, Carpenter, Kawasaki, Cobb, Campbell, Yamasaki, Kuroda, Uwaine, O'Connor and Saiki, and was read by the Clerk.

By unanimous consent, S.C.R. No. 41 was referred jointly to the Committee on Health and the Committee on Education.

SENATE RESOLUTION

A resolution (S.R. No. 57), entitled:

"SENATE RESOLUTION REQUESTING THE BOARD OF EDUCATION TO IMPLEMENT CARDIO-PULMONARY RESUSCITATION TRAINING IN HIGH SCHOOLS," was offered by Senators Cayetano, Kuroda, Kobayashi, Uwaine, Kawasaki, Cobb, Abercrombie, Carpenter, Yamasaki, Campbell, O'Connor and Saiki, and was read by the Clerk.

By unanimous consent, S.R. No. 57 was referred jointly to the Committee on Health and the Committee on Education.

STANDING COMMITTEE REPORTS

Senator Cobb, for the Committee on Legislative Management, presented a report (Stand. Com. Rep. No. 523-82) informing the Senate that Senate Concurrent Resolution 41, Senate Resolution No. 57, and Standing Committee Report No. 524-82 have been printed and distributed to all members of the Senate.

On motion by Senator Cobb, seconded by Senator George and carried, the report of the Committee was adopted.

Senator Kobayashi, for the Committee on Ecology, Environment and Recreation, presented a report (Stand. Com. Rep. No. 524-82) recommending that Senate Resolution No. 38 be adopted.

By unanimous consent, action on Stand. Com. Rep. No. 524-82 and S.R. No. 38, entitled: "SENATE RESOLUTION REQUESTING THAT THE DEPARTMENT OF THE NAVY AND RIMPAC TERMINATE THE USE OF KAHOLAWE AS A BOMBING TARGET," was deferred until Monday, March 22, 1982.

ORDER OF THE DAY

MATTER DEFERRED
FROM MARCH 18, 1982

THIRD READING

Standing Committee Report No. 233-82 (H.B. No. 798, H.D. 1, S.D. 2):

Senator Yamasaki moved that Stand. Com. Rep. No. 233-82 be adopted and H.B. No. 798, H.D. 1, S.D. 2, pass Third Reading, seconded by Senator Cobb.

Senator Kawasaki then offered the following amendment:

"SECTION 1. House Bill No. 798, H.D. 1, S.D. 2, is amended as follows:

1. By amending line 21 on page 6 to read:

'paid at the rate of [two-thirds] three fourths of one percent'

2. By amending line 14 on page 11 to read:

'on such amount at the rate of [two-thirds] three fourths of'

3. By amending line 23 on page 13 to read:

'the rate of [eight] nine per cent a year from the date of'

4. By amending line 20 on page 14 to read:

'at the rate of [twelve] nine per cent a year from the date of each pay--'

At 11:48 o'clock a.m., the Senate stood in recess subject to the call of the Chair.

The Senate reconvened at 12:01 o'clock p.m.

Senator Kawasaki moved that the amendment be adopted, seconded by Senator Abercrombie.

At this time, Senator Kawasaki rose to state as follows:

"Mr. President, the amendment very simply changes the rate of interest that is to be charged on both overpayments and underpayments to the Tax Office from the recommended percentage of 12%, as in the original version of the bill. The amendment changes the figure 12% to 9%.

"The primary reason I'm introducing this amendment is that in this era of high interest rates, and everybody abhors the environment of high interest rates, I think it's perhaps the responsibility of government, the state government in this case, to set an example of not just compounding the situation of high interest rate cost to people.

"The amendment changes the chargeable rate of interest to people who have duly filed their taxes...they've filed their taxes; however, they simply don't have the money to pay their taxes.

"At a time when money is hard to come by in the way of borrowing from the banks and so on, I think we're just making it more difficult for literally hundreds of business people who find the economic climate very difficult.

They are unable to pay their taxes. I think we should have heart enough at the government level not add to this climate of high interest rate and perhaps increase the rate of interest chargeable to a delinquent taxpayer the rate of 9% only.

"You know, we just passed the other night, practically giveaways to agricultural enterprises, millions of dollars, literally, charging only 2%. The proposal that we give a \$50 million stabilization fund, as it is called, chargeable perhaps at the suggested rate of 6%. These are means to help businessmen who claim to be in dire straits.

"I think the businessmen who are really in trouble, who file their taxes, but simply don't have the money to pay...I think perhaps we should give them some consideration and instead of raising the interest rate to 12% as is provided in the original bill, perhaps, if we could raise it 1% to make it 9% from the existing 8%.

"I'm also concerned about the growing trend in bankruptcies that are being declared nationally and locally.

"With all these things in mind, I think we can well afford to keep the interest rates chargeable on delinquent accounts payable to the Tax Office a reasonable 9%."

Senator Cayetano, in support of the amendment, stated:

"Mr. President, it's my understanding that the Federal Government has also increased the penalty for underpayments, and if I am correct, it is my understanding that the interest rate of the federal penalty is one or two percent above prime. I don't think we should add to the woes of any person who has fallen behind in his tax payment.

"Certainly, a taxpayer who has had problems paying taxes will get it from the Federal Government for the reasons I stated. There's no need for the state to add to that taxpayer's misery."

Then, Senator Cobb rose to speak against the amendment and stated:

"Mr. President, I think we are living in a dream world if we think we can set interest rates when that in fact happens to be the function of the national economy, the Federal Reserve Board and the actions of banks, mostly on the East Coast.

"We've had continual testimony before my committee relative to what happens when you have an artificially low interest rate. People then take advantage of it as a simple means of a low interest loan. Now, we will be having a situation where a number of businessmen would be able to take advantage or taxpayers who are not in business take advantage of this situation and simply underpay their taxes and in effect create a 9% loan, and then wait for the state to catch up on them.

"It seems to me we're proceeding on a contradictory direction when we're expressing concerns on the one hand for state revenues and on the other hand creating a loophole, if you will, that will allow low interest loans, low payments at 9% instead of 12% when we're in an interest environment of anywhere from 12% to 16% in today's economy."

Senator Abercrombie then rose to speak in favor of the measure and in rebuttal of the previous speaker's remarks stated:

"Mr. President, the amendment is offered not to try to effect interest rates at the national level, but to respond to the effect of interest rates at the national level, and the other circumstances of extraordinary expenses that have been added, in particular, to small business people in their capacity to do business.

"It's because of that horrendous situation that the amendment is an attempt not to slow down the payment, but to see that some payment is made at all.

"If someone goes bankrupt, then we've lost the whole situation when we've lost the whole possibility of being paid, and also being paid down the line if a business is able to continue.

"As for the idea that this constitutes a low cost loan and so on, it by no means constitutes a low cost loan in comparison to the examples that were raised and we're talking about the individuals that are most likely to be affected from this.

"We're not talking about international corporations. We're talking about the person or persons who have small business operations and are desirous of staying in business in the State of Hawaii."

Senator Cobb, in rebuttal, stated:

"Mr. President, I was not addressing the situation of multi-national corporations

or foreign corporations. I was confining my remarks to the local situation, right here, where we have had numerous testimony before the committee that I chair relative to the fact that where you have an artificially low interest rate environment, you are in fact creating a low interest loan by the nonpayment or the delayed payment of such moneys. And, in fact, this is happening now in the wholesale market and it's one of the reasons why we passed Senate Bill 400 last year in an attempt to equalize that situation."

At 12:07 o'clock p.m., the Senate stood in recess subject to the call of the Chair.

The Senate reconvened at 12:22 o'clock p.m.

Senator Kawasaki then responded as follows:

"Mr. President, I just want to briefly respond to the concerns expressed by the good Senator, my friend from the Seventh District, regarding his opinion that this may amount to a low cost loan to people who are delinquent in their taxes.

"That may be so, but nothing as bad as the low cost loan we passed on and I trust that the good Senator did not vote for them... the 2% loan to the independent sugar growers and the 6% recommended loan proposition to create the sugar stabilization fund.

"These are really low cost loans to people who are not in the strait that some of these people are that I am concerned about.

"I understand there is some language change, technical corrections, that should be made, so in the interest of correcting some of these things, I will withdraw my amendment."

Senator Kawasaki then moved to withdraw the amendment, seconded by Senator Abercrombie and carried.

By unanimous consent, Stand. Com. Rep. No. 233-82 and H.B. No. 798, H.D. 1, S.D. 2, entitled: "A BILL FOR AN ACT RELATING TO INTEREST ON UNDERPAYMENTS AND OVERPAYMENTS," were deferred until Monday, March 22, 1982.

At this time, Senator Cayetano made the following announcement and remarked:

"Mr. President, yesterday evening I was stunned to see in the news the story about the contamination of milk

and in today's issue of the Honolulu Star-Bulletin the matter is headlined. I'm sure that other Senators in this body, like myself, have been deluged with calls from constituents who are worried about their children and families. So, this afternoon at 2:30, the Health Committee will be holding a hearing on this matter.

"We have invited the Health Department to send people to the hearing. We have contacted the University to get more information on the matter to see whether the Legislature can make any contribution in alleviating the fears of our people and, in fact, the very situation which may have led to this kind of a problem.

"The hearing is scheduled to be held in Conference Room 2 at 2:30 this afternoon.

"And there's another matter in the headlines you asked me not talk about, Mr. President, so I won't."

Senator Carpenter then rose on a point of personal privilege and stated:

"Mr. President, on the matter that you asked Senator Cayetano not to speak about, I'd like to commend the reporter for the Star-Bulletin.

"The number of copies of the Star-Bulletin that are sold on the Big Island daily...and I'm not sure if this is accurate...is approximately 500 or

less because I often see the following day, in several of the stores that I visit, many copies from the previous day that have not been purchased.

"Mr. President, I want to commend the reporter who drafted my comments because that's exactly what I said and exactly what I mean. I don't intend to change my party affiliation anymore than I intend to change my religious preference which is Protestant, even though my wife and children are all Catholics.

"Thank you very much."

The Chair then made the following remarks:

"On Wednesday night because of the lateness of the hour, the Chair was unable to go into any great length to thank every Senator. We were pressed for time and I realize that members held back their comments. The Chair appreciates that cooperation from all Senators. We got our business done on time. Whether it was good business that we passed or bad, the future will tell but I appreciate your kokua. Thank you."

ADJOURNMENT

At 12:17 o'clock p.m., on motion by Senator Cobb, seconded by Senator Yee and carried, the Senate adjourned until 11:30 o'clock, Monday, March 22, 1982.