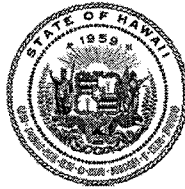


LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
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## SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION

### TESTIMONY REGARDING HB 2961 HD 1 PROPOSED SD 1 RELATING TO TAXATION

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: MARCH 18, 2008**

**TIME: 1:15PM**

**ROOM: 224**

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The intent of this bill is to conform Hawaii law to the requirements of the Streamlined Sales and Use Tax Agreement ("SSUTA"). The Streamlined Sales and Use Tax Agreement is a method developed by the states and businesses primarily to have internet and catalogue sellers voluntarily collect the sales and use tax from consumers on behalf of the States for those sellers who did not have nexus with the state. Currently, people who buy from catalogues and the internet are supposed to pay use tax on their purchases, however in practice, few do.<sup>1</sup> This bill would provide a *voluntary* mechanism for internet and catalog sellers to collect this tax from the consumers and pass it on to the Department, thereby resulting in a net revenue gain to the State.

The Department of Taxation takes **no position on the content** of this measure; however respectfully **requests that the original HD 1 and other technical corrections requested by the Department in HB 3192/SB 3114 be inserted in its place.**

#### **I. ORIGINAL CONTENTS—THE IMPORTANCE OF STUDYING TAX INCENTIVES**

The Legislature has enacted path-breaking tax credits to promote growth in technology and innovation, with the goal of encouraging knowledge-based, higher-wage industries in Hawaii. The Legislature has also recognized, however, that it is important to evaluate the effectiveness of its efforts in this area as well as other areas of tax incentive policy. The Department of Taxation respectfully requests the authority and resources to conduct an economic study on the effects of Hawaii income tax credits.

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<sup>1</sup> However, businesses generally comply with the use tax more than individuals.

## **II. SUGGESTED AMENDMENTS FOR EFFICIENT TAX ADMINISTRATION**

The Department respectfully requests that the Committee consider inserting the following technical considerations into this measure for streamlined tax administration. These amendments can be found in HB 3192/SB 3114:

**ERRONEOUS REFUND CLAIMS**—Congress recently amended the Internal Revenue Code to allow for a twenty percent penalty on any excessive refund claims. This new erroneous refund claim penalty is found at 26 USC § 6676. This penalty was included in recent congressional legislation as a revenue raiser for the federal government. With certain of the tax incentives provided in Title 14, HRS, providing the Department of Taxation with the ability to assess a penalty for refund or credit claims where a taxpayer's claim lacks a reasonable basis will assist with the administration of Hawaii's taxes by providing a deterrent mechanism, which presently does not exist. As was the intent on the federal level, this legislation would also be a potential revenue raiser for the general fund.

During this provision's prior consideration in the Senate, the industry had problems with this penalty's lack of definitions. The Department does not object to the Committee inserting a specific definition of "reasonable basis" to include, among other things inadvertence, mistake, or innocence. Also, the Department does not object to thresholds where this penalty takes effect; nor does the Department object to applying this penalty only where tax professionals are involved. The Department is willing to work with the Committee on draft language for this provision.

**Because this legislative session has many fiscal constraints given the current economic conditions, this amendment will provide revenue gains for the budget.**

**PUBLIC BOARD OF REVIEW INFORMATION**—Current law is ambiguous as to whether certain information discussed at a Taxation Board of Review hearing is public and able to be disseminated.

Chapter 232, HRS, is clear that a Board of Review hearing is a public meeting. However, other conflicting confidentiality laws preclude the Department from discussing the taxpayer's identity or the specific legal arguments presented to the Board of Review. A dilemma arises if a person who was not present at the hearing requests information regarding the hearing, the Department cannot disclose appeal briefs or taxpayer identity. However, if the same person were at the hearing, the person would know the taxpayer's identity and other material information. This bill clarifies what information is public when discussed at a Board of Review hearing.

**SOCIAL SECURITY NUMBERS ON APPEAL DOCUMENTS**—With the onset of identity theft, administration of tax appeals should likewise conform to protection of such sensitive data.

Currently, tax appeals require taxpayers to submit a copy of the tax return(s) in dispute during the appeal. Tax returns routinely contain sensitive data, including social security numbers of individuals. This bill authorizes individuals and the Department to redact all but the last four digits

of the social security number on any tax returns filed with the Tax Appeal Court.

**"KIDDIE TAX" AMENDMENTS**—In its conformity provisions, Hawaii does not expressly conform to the "Kiddie Tax" assessed by the Internal Revenue Code.

However, Hawaii has adopted its own "Kiddie Tax" at section 235-7.5, HRS. In 2006, Congress made various amendments to the "Kiddie Tax" contained in the Internal Revenue Code. This bill makes similar conforming amendments to the changes made by Congress to ensure consistency in the application and assessment of these similar taxes.

**Because this legislative session has many fiscal constraints given the current economic conditions, this amendment will provide revenue gains for the budget.**

**TAX ADMINISTRATION SPECIAL FUND**—Act 206, Session Laws of Hawaii 2007, amended the Tax Administration Special Fund to allow use of the funds for the administration of credits under section 235-110.9, HRS.

The Department of Taxation understood the intent of this amendment was to allow use of the funds for administration of other high tech credits, including the refundable credit for research activities under section 235-110.91, HRS. This bill clarifies that the tax administration special fund may be used for administering both high technology tax credits.

**CANNED COMPUTER SOFTWARE ELIGIBILITY FOR THE CAPITAL GOODS EXCISE TAX CREDIT**—Hawaii's capital goods excise tax credit allows a credit equal to the general excise tax paid on depreciable tangible personal property.

The credit defines depreciable tangible personal property as of the Internal Revenue Code of 1954, as amended in 1984. Canned computer software was considered depreciable tangible personal property in the Internal Revenue Code of 1986. This bill amends the definition of depreciable tangible personal property to allow for canned computer software to qualify for the capital goods excise tax credit. The bill also deletes from the definition of cost "the actual invoice price," so that cost will be defined as basis, which is simpler to administer. The bill also eliminates the phase-in language since the credit has been completely phased-in since 1989.

This amendment will clarify erroneous positions taken by taxpayers and tax practitioners that argue computer software currently qualifies under this credit.

**SOCIAL SECURITY NUMBER USE IN TAX ADMINISTRATION**—Chapter 487J, HRS, was enacted in 2006 to limit the use of social security numbers by businesses and government.

The Department's tax administration processes and procedures rely heavily on the use of the social security number to ensure identification of a taxpayer. This bill makes clarifying amendments to chapter 487J, HRS, that allow the Department of Taxation to utilize social security numbers in the administration of Hawaii taxes.

### III. THE STREAMLINED SALES & USE TAX PROJECT

#### *A. Concerns over this legislation in a slowing economy.*

Initially, the Department points out that it is a well-settled principle of economics that when an economy is slowing, increasing taxes is strongly discouraged because people are already struggling to make ends meet financially. During economic slowing, economics suggests that money should remain with the people and in the economy in order to boost economic performance. The Department cautions further consideration of this legislation during a slowing economy based upon these economic concepts.

#### *B. Benefits of Streamlined Sales Tax.*

The Streamlined Sales & Use Tax Project may provide benefits to Hawaii, including:

1. **Increased Revenue to the General Fund.** It is undetermined at this time exactly how much additional revenue Hawaii may stand to gain from this bill. The Department concedes that a revenue gain is likely, however the Department is concerned that past projections have significantly overestimated this potential gain.
2. **Level the Playing Field.** Adopting this legislation will effectively bring equity to local retailers that lose business to internet or mail-order commerce. By purchasing goods on the internet, for example, local purchasers can realize a minor tax benefit by purchasing out-of-state. Each sale out-of-state is a lost sale in Hawaii, thus impacting local businesses.

#### *C. Concerns about Streamlined Sales Tax implementation in Hawaii.*

1. **Adds Complexity.** Because Hawaii has a general excise tax imposed on the seller rather than a sales tax, which is imposed on the buyer, the provisions of the SSUTA do not fit neatly into Hawaii's general excise tax regime. Therefore, the SSUTA provisions need to be modified to take Hawaii's different tax structure into account.

In addition, to comply with the SSUTA's requirement that the State and each local taxing jurisdiction have only one rate, except in certain circumstances not applicable in Hawaii, the different tax rates applicable under Hawaii general excise tax law need to be removed from the general excise tax chapter and shifted into another taxing chapter. The creation of three new chapters also adds complexity to Hawaii's tax law and may prove to be another source of confusion to taxpayers.

In addition, whether the approach taken in the bill would be considered a "replacement tax" is an issue. It is also unclear at this time whether replacement taxes are permitted under the SSUTA.

2. **Provides Amnesty.** The SSUTA requires the State to provide amnesty to out-of-state sellers that may or may not have nexus with the State. The State will be giving up its

right to pursue these sellers for general excise tax on their operations in the State.

3. **Vendor Compensation.** The SSUTA requires the State to compensate out-of-state vendors who voluntarily participate in the SSUTA for collecting the Hawaii tax. However, in-state businesses that are obligated to pay the Hawaii tax are not compensated for collecting and paying the tax.
4. **Voluntary.** Currently, participation by sellers pursuant to the SSUTA is voluntary. While hundreds of companies have agreed to participate, Amazon.com and eBay have indicated that they will not participate at this time. Therefore, it is unclear how much potential revenue will be generated for Hawaii by participating in SSUTA.
5. **"Home Rule" Concerns.** Participation in SSUTA requires the State to annually certify to the national governing board that the state's laws are in compliance with SSUTA. Therefore, **any tax law changes in the future must meet the requirements of SSUTA** in order for the State to continue to comply with SSUTA. Therefore, **the State is limiting its ability to adopt legislation in favor of decisions made by a national governing board regarding a state's tax law.**

In addition, now that the City and County of Honolulu has enacted the county surcharge, the City and County of Honolulu must be bound to follow the SSUTA with respect to the surcharge.

6. **Appropriations.** The Department will need an appropriation to implement the SSUTA compliance, which, among other things, requires the development of a database of zip codes and tax rates. The Department is currently working on developing an accurate and comprehensive cost estimate for implementing this legislation. The complexity associated with updating the Department's current tax collection systems and the required labor and incidental costs require further analysis.
7. **Further Study.** The Department believes that further study is warranted on this issue. The general excise tax is a major revenue source for the State and any substantial revisions, such as those contained in this bill, should only be enacted after a thorough and thoughtful analysis can be done. In addition, time would also enable the Department to learn from other states' experiences with the SSUTA. Other states did not actually begin implementing SSUTA until late 2005. On April 1, 2008, eighteen states<sup>2</sup> will have become full members of SSUTA and begun implementing SSUTA. (Three new state recently became full member states: Arkansas, Wyoming, and Nevada; but these states were already participating as Associate Member states. In fact, since the agreement became effective in 2005, only Washington, Vermont and Rhode Island have been added to the list of original associate and full members.) If the State waits, it could learn from the problems the other states' experience. Some states remain cautiously guarded about

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<sup>2</sup>The full member states are Arkansas, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, New Jersey, North Carolina, North Dakota, Oklahoma, Rhode Island, South Dakota, Vermont, West Virginia, Wyoming. Nevada becomes a full member state on April 1, 2008. Washington will become a full member on July 1, 2008.

implementing the SSUTA. For example, New York issued a report that cautioned joining the project because it was unclear whether the project would yield net benefits to taxpayers and local businesses. Again, further study of these paramount issues is advised.

*C. General comments.*

**Delayed Effective Date**—The delayed effective date of the bill is appreciated, but the delay may not be long enough to allow these changes to be fully integrated into the computer systems of the Department. A longer delayed effective date would give time for practitioners and businesses to adjust to these changes. When the corporate statutes were substantially revised, the effective date was delayed one year to allow professional associations, businesses, and practitioners sufficient time to analyze the changes in the law, prepare conferences, or other industry analysis. Given the challenges the Department would face integrating such large, wholesale changes into its operations, longer than two years may be more realistic of a time frame. The delayed effective date would also provide time to obtain approval from the National SSTP Governing Board to assure that Hawaii's amendments conform to the SSUTA. This is very important since Hawaii's general excise tax is not a sales tax.

**Frequent Changes to the SSUTA Will Require Legislative Action.** The legislature needs to be aware that the SSUTA is not a static document. It has undergone substantial and frequent changes since it was adopted on November 12, 2002. It has been amended 11 times.<sup>3</sup> It has been amended 7 times since the SSUTA became effective on October 3, 2005. Each change requires member States to amend its law in order to remain in conformity with the SSUTA. The debate at the Governing Board meetings currently includes allowing intra-state origin based taxes, the extension of associate member status beyond the original deadline, and very relevant to this bill, the issue of using "replacement taxes" by States to circumvent the provisions of the SSUTA, such as New Jersey's fur tax.

*D. Revenue diversion.*

The Department cannot support GET revenue diversions. The Department is always cautious about policy that redirects general excise tax revenue away from the general fund and into specific special funds. The Department routinely opposes funding mechanisms such as this because the general excise tax represents over one-half of the State's overall operating revenue stream. The Department strongly prefers that a direct appropriation be the means for funding the programs of the Department of Education and the University of Hawaii so that the amount may be budgeted and prioritized just as any other program.

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<sup>3</sup> November 19, 2003, November 16, 2004, April 16, 2005, October 1, 2005, January 13, 2006, April 18, 2006, August 30, 2006, December 14, 2006, June 23, 2007, September 20, 2007, and December 12, 2007

**IV. REVENUE IMPACT**

The bill would increase revenues by about \$10 million annually.

The expansion of the GET exemption for blind, deaf, and disabled taxpayers would cost about \$500,000 annually.

In a study produced for the State's Auditor in April 2006, Dr. William Fox estimated that joining the SSUTA would provide Hawaii with about \$10 million in additional GET revenues annually. He reaffirmed his estimate in 2007.

The Chair was provided the start-up and ongoing cost estimates under separate cover.



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March 18, 2008

**The Honorable Carol Fukunaga, Chair**  
Senate Committee on Economic Development and Taxation  
State Capitol, Room 224  
Honolulu, Hawaii 96813

**RE: H.B. 2961, H.D. 2, Proposed S.D.1, Relating to Taxation**  
**Hearing Date: March 18, 2008 @ 1:15 p.m., Room 224**

On behalf of our 10,000 members in Hawaii, the Hawaii Association of REALTORS® (HAR) **supports H.B.2961, H.D.2, Proposed S.D.1, Relating to Taxation** - adopting amendments to Hawaii tax laws to implement the streamlined sales and use tax agreement.

The Report of the 2001-2003 Tax Review Commission states at page 6 that Hawaii would potentially achieve not only the benefit of better definitions, uniformity, and certainty, but also increase tax compliance by interstate vendors (primarily mail order and e-commerce merchants) who agree to pay state taxes under the Streamlined Sales Tax Project. The Report goes on to state that because of Hawaii's uniquely broad based General Excise and Use Tax system, by joining the Streamlined Sales Tax Project, Hawaii may be able to better maintain the viability of its broad revenue base.

The Report of the 2005-2007 Tax Review Commission states at page 9 that while the Commission believes that the goal of coordinating the collection of taxes on interstate sales, such as via the internet, is desirable, and that Hawaii should remain involved in discussions on the Streamlined Sales Tax Project, the Commission did not think that Hawaii should make a formal commitment yet.

The Hawaii Association of REALTORS® believes that the delayed effective date of January 1, 2010 should help alleviate the concerns of the 2005-2007 Tax Review Commission, and that H.B.2961, H.D.2, Proposed S.D.1, should eventually level the playing field for local merchants who must deal with the high cost of doing business in Hawaii and still compete with mail order and e-commerce merchants from outside of the State.

Mahalo for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig K. Hirai".

Craig K. Hirai, Member  
Subcommittee on Taxation and Finance  
HAR Legislative Committee





Senator Carol Fukunaga, Chair  
Senator Will Espero, Vice Chair  
Committee on Economic Development & Taxation  
State Capitol, Honolulu, Hawaii 96813

HEARING      Tuesday, March 18, 2008  
                  1:15 pm  
                  Conference Room 224

**RE:    HB2961, HD2, SD1 (proposed), Relating to Taxation**

Chair Fukunaga, Vice Chair Espero, and Members of the Committee:

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

**RMH supports HB2961, HD2, SD1 as proposed**, which adopts amendments to Hawaii's tax laws to implement Streamlined Sales and Use Tax Agreement.

Through our affiliation with the National Retail Federation, the world's largest retail trade association, and a major participant in the Streamlined Sales Tax Project, RMH has watched the development and progress of this program over the past seven years and has supported Hawaii's initiatives to participate in the multi-state discussions. As commerce over the Internet increased, traditional brick and mortar retailers, which are required by law to collect taxes for government, have experienced an erosion of their sales base to remote sellers, which, under most circumstances, are not subject to tax mandates. The Streamlined Sales Tax Project will level the playing field.

Additionally, we are encouraged that an initiative in congress holds even greater promise to ameliorate this unfair situation.

The members of the Retail Merchants of Hawaii respectfully request that you pass HB2961, HD2, SD1 as proposed. Thank you for your consideration and for the opportunity to comment on this measure.

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

President

RETAIL MERCHANTS OF HAWAII  
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Hawaii Government Employees Association  
AFSCME Local 152, AFL-CIO

The Twenty-Fourth Legislature, State of Hawaii  
Hawaii State Senate  
Committee on Economic Development and Tourism

Testimony by  
HGEA/AFSCME, Local 152, AFL-CIO  
March 18, 2008


H.B. 2961, H.D. 2, S.D. 1 (Proposed)  
- RELATING TO TAXATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 2961, H.D. 2, S.D. 1 (Proposed) – Relating to Taxation. The purpose of this legislation is to make specific changes to Hawaii's tax law that will allow the state to participate in the Streamlined Sales and Use Tax Agreement that will permit the taxation of Internet-based transactions. There are several reasons for taxing Internet-based transactions.

The Internet has transformed retail trade. 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. 2961, H.D. 2, S.D. 1, which makes necessary changes to the tax code to comply with the Streamlined Sales and Use Tax Agreement. 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 the Streamlined Sales and Use Tax Agreement 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,

  
Nora A. Nomura  
Deputy Executive Director

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** ADMINISTRATION, High technology business tax credits evaluation

**BILL NUMBER:** HB 2961, HD-2

**INTRODUCED BY:** House Committee on Finance

**BRIEF SUMMARY:** Adds a new section to HRS chapter 231 to provide that the department of taxation shall determine the economic impact of and evaluate existing and proposed tax incentives of HRS Title 14. Authorizes the department to: (1) contract with technical experts knowledgeable in the field of technology and research investment to evaluate existing and proposed tax incentives; (2) establish a working group of industry, tax, and economic development experts to identify and develop a set of standards, benchmarks, and data elements for evaluation and quantification of the economic impact of tax incentives in Hawaii; (3) coordinate and receive relevant information from other state agencies; (4) review taxpayer returns to collect and analyze aggregate data on the impact of tax incentives; and (5) update its analysis of tax incentives to assist the Tax Review Commission and the Council on Revenues to better perform their responsibilities.

Amends HRS section 235-20.5 to provide that the tax administration special fund shall also be used to administer the tax credit under HRS section 235-110.91. Repeals this section on January 1, 2012.

Amends Act 206, SLH 2007, to provide that the required annual survey filed by a qualified high technology business shall include information from and after January 1, 2002. The department of taxation shall submit information on the high technology business tax credit 20 days prior to the convening of the legislature instead of September 1. Repeals this section on January 1, 2012.

Extends the repeal date of Act 206, SLH 2007, from January 1, 2011 to January 1, 2012 and provides that HRS sections 235-20.5 and 235-110.9(b) shall be reenacted in the form in which they read on the day before June 20, 2007.

The department of taxation shall study the economic impact of the tax credits of HRS sections 235-9.5, 235-110.51, 235-110.9 and 235-110.91 on Hawaii's economy and evaluate their effectiveness. Requires the department to report its findings to the legislature prior to each regular session. Directs the department of taxation to collect and evaluate information from January 1, 2002, and: (1) exercise its powers under HRS section 231; (2) use the information collected and analyses conducted under Act 206, SLH 2007; and (3) review returns of companies whose investors receive credits pursuant to HRS sections 235-110.51, 235-110.9 and 235-110.91 or benefit from stock options whose capital gains are excluded from taxation under HRS section 235.9.5. Permits such data to be sub-aggregated into industry sectors to delineate and differentiate economic impacts. Repeals this section on January 1, 2012.

Appropriates \$ \_\_\_\_\_ in general funds in fiscal 2009 to the department of taxation for the purposes of this act.

The sections repealed shall be reenacted in the form in which they read on June 20, 2007.

EFFECTIVE DATE: July 1, 2020

STAFF COMMENTS: In their examination of the high technology business investment tax credit, the Tax Review Commission reiterated the findings of the previous Tax Review Commission that stated that, "A tax incentive program is a potential 'black hole' because it is a future benefit of unknown proportions, which is determined by the favored taxpayer's interpretation of what the tax credit should be, and is claimed on a tax return which is confidential."

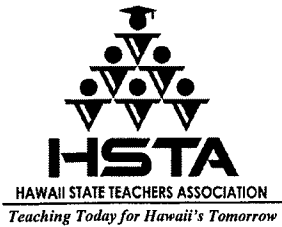
The most recent Tax Review Commission brought in outside consultants to assess the costs and benefits of the high technology tax credits, but the results were not definitive because they could not obtain current data on the cost of the credit or on the operations of the qualified high tech businesses. They also found data to be incomplete due to confusion about filing requirements when the certification for the credits was changed. In its final recommendations with respect to the high technology tax credit and tax credits in general, the Commission recommended increased transparency and timely disclosure and suggested a confidentiality waiver should be required of those taxpayers claiming tax credits so that pertinent data can be released to the public, and that all beneficiaries of tax credits be required to file truth-in-disclosure reports in addition to income tax returns.

This measure directs the department of taxation to determine the economic impact of existing and proposed tax incentives with emphasis on: (1) the income tax exclusion of stock options from qualified high technology businesses (HRS section 235-9.5); (2) technology infrastructure tax credit (HRS section 235-110.51); (3) high technology investment tax credit (HRS section 235-110.9); and (4) the tax credit for research activities (HRS section 235-110.91). However, this may be just as daunting a task for the department as it was for the Commission's consultants as the beneficiaries hide behind the confidentiality screen. The legislature should consider the recommendation of the Commission to require a waiver of confidentiality so that successes or failures of individual taxpayers can be tracked and evaluated. The legislature has already adopted a similar waiver of confidentiality when it required American Hawaii Cruises to open its books by Act 228, SLH 1991, in order to secure its exemption from the public service company tax.

Given that these tax credits are a back door expenditure of public dollars, the granting of the credits should be subjected to the same scrutiny that appropriation and expenditure of tax dollars are subjected to under the rubric of the procurement code. How can policymakers justify the establishment of such tax incentives when there is no means by which to measure whether or not the promise of jobs, economic stimulation, or growth in the industry has resulted if this information is not available?

Conversely, if these beneficiaries want to feed on public dollars through these tax incentives, then they should be more than willing to reveal how those dollars were used and how those dollars benefitted the taxpaying public. The analogy is something akin to having to put the quarter in the juke box if one wants to dance.

Digested 3/14/08



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**Roger K. Takabayashi**  
President

**Wil Okabe**  
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**Karolyn Mossman**  
Secretary-Treasurer

**Mike McCartney**  
Executive Director

**TESTIMONY BEFORE THE SENATE COMMITTEE ON  
ECONOMIC DEVELOPMENT AND TAXATION**

**RE: HB 2961, HD 2, Proposed SD1 -- RELATING TO TAXATION.**

March 18, 2008

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

Chair Fukunaga and Members of the Committee:

The Hawaii State Teachers Association is in strong support of the purposes and intent of HB 2961, HD2, Proposed SD1, Relating to Taxation.

The purpose of this measure is to adopt amendments to Hawaii tax laws to implement the streamlined sales and use tax agreement, and to designate a portion of the revenues collected to supplement appropriations for educational programs under the Department of Education.

Over the past four years, our organization has participated in briefings conducted by national leaders in the Streamlined and Sales and Use Tax project. We believe that joining other states in collecting tax revenues on out-of-state sales makes good sense for the State of Hawaii.

We endorse using the states' collective efforts and modern technology to solve the long-standing problem of lost tax revenues arising from the growing influence of e-commerce on the economy, and thank the Senate majority for using this measure to provide enhanced financial support for Hawaii's public schools.

Thank you for the opportunity to testify.