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# HB1405

HSTA
HAWAII STATE TEACHERS ASSOCIATION
*Teaching Today for Hawaii's Tomorrow*

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TESTIMONY BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

RE: HB 1405, HD2, SD1 – RELATING TO THE GENERAL EXCISE TAX.

April 6, 2009

ROGER TAKABAYASHI, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Kim and Members of the Committee:

The Hawaii State Teachers Association support HB 1405, HD2. SD1, which adopts amendments to Hawaii tax laws to implement the streamlined sales and use tax agreement.

Given the current economic situation in which budget cuts are jeopardizing our education system, HSTA believes this bill will generate the funds needed to relieve the State's budget shortfall and restore cuts made to education. We also believe it is unfair that brick-and-mortar retail businesses must bear the burden of state taxes on their sales transactions when internet merchants do not. We believe internet businesses should pay the same taxes as their traditional retail counterparts.

Thank you for the opportunity to testify.

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| HB 611<br>HD 1 SD 1 | TAXATION (amends capital goods excise tax credit) | Oppose | The Department opposes suspending the capital goods credit for 2 years because it weakens an already fragile economy.<br><br>Automatic repeal of tax credits should be handled with caution.<br><br>(See separate testimony submitted for this bill) | The total estimated revenue gain from eliminating the capital goods excise tax credit is $34.3 million for FY2010, $34.3 million for FY2011, and $17.2 million for FY2012. The other provisions will not affect revenue within the budget window, owing to the late effective date. If made effective before July 1, 2009, the revenue loss from expanding the GET exemption to include loading, unloading and transporting agricultural products within the State is $0.6 million for FY2010 through FY2012 and $0.7 million for FY2013 through FY2015. If made effective before July 1, 2011, the revenue gains for the other provisions in part II would be as follows: FY2011, $231.2 million; FY2012, $578.1 million; FY2013, $713.2 million; FY2014, $957.8 million; FY2015, $1,205.8 million. In addition, the study required by the bill may result in an additional revenue gain of from $1 million to $3 million, because data and analysis developed for the study will help make the Department's compliance efforts more efficient. | Revenue gains from eliminating the income tax credits are taken from the Department's study of income tax credits for 2006. Revenue gains from expanding the GET exemption for loading, unloading and transporting agricultural goods within the state were taken to be 25% of the total cost of the like exemption for all agricultural goods (based on the share of livestock products and floricultural products in all agricultural products produced in Hawaii). Revenue gains from eliminating the GET exemptions are from the report of the 2005-2007 Tax Review Commission. (The TRC's report missed the distinction between agricultural commodities and agricultural products, so it included the cost of all agricultural products in the cost of the exemption provided as part of section 237-24.3.) |
| HB 1405<br>HD 2 SD 1 | GENERAL EXCISE TAX (SSTP) | Concerns | Hawaii does not have a sales tax.<br><br>Hawaii would have to conform to decisions made by a national, quasi-governmental board. | The bill will have no revenue impact, unless Congress enacts required legislation. However, the expense of the oversight committee would be incurred. If the required Congressional legislation is enacted, the effect on revenues is indeterminate, but it could be $25 million annually in additional GET and Use Tax collections. The exemption for blind, deaf, and disabled taxpayers would cost about $500 thousand annually. | |

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