

SB 1678

EDT

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From: Democratic Party of Hawaii [dphstaff@inbox.com]
Sent: Friday, February 06, 2009 9:30 AM
To: EDTTestimony
Cc: Sen. Carol Fukunaga
Subject: Democratic Party of Hawaii testimony in support of SB 1678
Attachments: BUS RES 08-19.doc

The Democratic Party of Hawaii supports SB 1678 Streamlined Sales and Use Tax Agreements. At our 2008 State Convention, we passed Business Economic and Development Committee Resolution 08-19 Urging the State of Hawaii to adopt legislation to participate in the streamlined sales and use tax agreement. The resolution reads:

"WHEREAS, the State of Hawaii is currently a participating member of the Streamlined Sales and Use Tax Agreement but has not yet adopted necessary legislation to collect the appropriate amount of general excise and use tax revenues on purchases of goods, including catalog, mail-order and online sales, by Hawaii's taxpayers from out-of-state sellers; and

WHEREAS, Hawaii's participation in the Streamlined Sales and Use Tax Agreement (SSUTA) could result in an estimated \$174 million of additional tax revenues for the State budget for fiscal year 2010; ..."

The full text of the resolution is enclosed. The Democratic Party of Hawaii supports this bill amid heightened concerns about our growing budget deficit in the fiscal year of 2009. The need for fiscal responsibility is pertinent to our economic recovery and thus the Democratic Party of Hawaii strongly supports the passage of SB 1678.

URGING THE LEGISLATURE TO ADOPT LEGISLATION TO PARTICIPATE IN THE STREAMLINED SALES AND USE TAX AGREEMENT

WHEREAS, the collection of tax revenues in the State of Hawaii is a critical factor in stabilizing the economy and maintaining the infrastructure and capital improvement needs of the State; and

WHEREAS, the State of Hawaii is currently a participating member of the Streamlined Sales and Use Tax Agreement but has not yet adopted necessary legislation to collect the appropriate amount of general excise and use tax revenues on purchases of goods, including catalog, mail-order and online sales, by Hawaii's taxpayers from out-of-state sellers; and

WHEREAS, Hawaii's participation in the Streamlined Sales and Use Tax Agreement (SSUTA) could result in an estimated \$174 million of additional tax revenues for the State budget for fiscal year 2010; and

WHEREAS, recent versions of Hawaii SSUTA legislation proposed to distribute 100% of the additional tax revenues collected under the Streamlined Sales and Use Tax Agreement to the Department of Education and the University of Hawaii, on an equal basis, to fund educational programs and capital improvement projects between 2010-2015; now, therefore,

BE IT RESOLVED by the Democratic Party of Hawai'i that the Legislature is urged to adopt legislation for the State of Hawaii to implement the Streamlined Sales and Use Tax Agreement; and

BE IT FURTHER RESOLVED that beginning in calendar year 2014, the Department of Education and the University of Hawaii are requested to assess the adequacy of the tax revenues collected under the Streamlined Sales and Use Tax Agreement in meeting their educational and infrastructure needs and to report their findings to the Legislature no later than twenty days prior to the convening of the Regular Session of 2015; and

BE IT FURTHER RESOLVED that certified copies of the Resolution be transmitted to the Governor of the State of Hawaii, Democratic members of the Hawaii State Legislature, appropriate Committee(s) of the State Democratic Convention, the Director of Taxation, and candidates for Hawaii State Legislative offices.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Economic Development and Technology

Testimony by
Hawaii Government Employees Association
February 6, 2009

S.B. 1678 – RELATING
TO TAXATION

The Hawaii Government Employees Association supports the purpose and intent of S.B. 1678, which is to make specific changes to Hawaii's tax law that will enable the State to participate in the Streamlined Sales and Use Tax Agreement to permit the taxation of Internet-based transactions. 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 S.B. 1678 that 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 priorities. Thank you for the opportunity to testify in support of this important measure.

Respectfully submitted,

Nora A. Nomura
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**THE SENATE
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009**

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

**Hearing February 6, 2009
Testimony on S.B. 1678
(Relating to Taxation)**

Chair Fukunaga, Vice-Chair Baker and members of the Committee:

My name is Peter Fritz. I am an attorney specializing in tax law. I was also an Administrative Rules Specialist under Directors Kamikawa, Okamura and Kawafuchi. I am testifying as a taxpayer and concerned citizen.

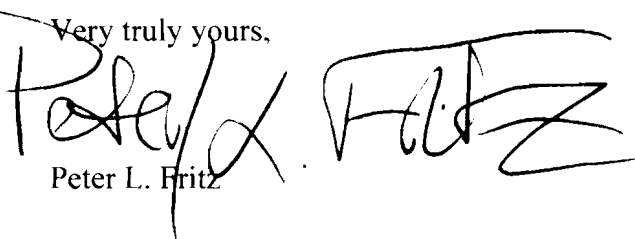
I support this bill because:

1. It will put local merchants on the same footing as out of state merchants. Local merchants add Hawaii's General Excise Tax ("GET") to purchases made by consumers. Out of state businesses that sign an agreement will add the GET to purchases shipped to consumers in Hawaii.
2. The legislation simplifies the GET law. Business to business sales and retail sales laws were both incorporated into Chapter 237. Extracting the business to business sale provisions from the retail sales provisions simplifies the GET law. While the size of the bill would cause someone to believe that significant new provisions were added to Hawaii's law, in reality, the number of new definitions and provisions specific to the Streamlined Sales Tax are not that great.
3. Computer software developed by out of state companies to calculate the amount of GET on a retail transaction will also be available to Hawaii businesses and will simplify their collection of the GET.
4. Audits of out of state businesses will be easier since the Department of Taxation will have access to computer records of sales by out of state businesses to customers in Hawaii

5. The Department of Taxation has testified that the Streamlined Sales Tax has been amended on many occasions. While this is true, the majority of amendments did not affect Hawaii's GET law.
6. The Department of Taxation has proposed placing a line on the tax returns to collect the tax that is owed for on-line purchases. Adding such a line would make tax evaders out of law-abiding citizens and policemen out of tax preparers and accountants. If administration bill S.B. 973 passes, tax preparers would be subject to a fine of up to \$1,000 for preparing a return that failed to include amounts for internet purchases. In reality, people do not keep tab of what they buy on vacation. This bill would minimize that problem because the GET would be collected by the seller.
7. In Ohio, when the line was added to tax forms four years ago, 52,000 taxpayers participated. In 2002, the number dropped to 46,000, out of 5.7 million total returns. Ohio raises about \$2 million, but projects that about \$500 million goes uncollected.
8. Internet sales have been increasing over the years and Hawaii needs to position itself to collect the GET on sales to Hawaii citizens.

Thank you for the opportunity to testify.

Very truly yours,



Peter L. Fritz