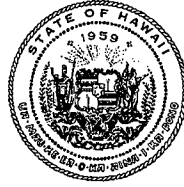


SB 21

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



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DIRECTOR OF TAXATION

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**SENATE COMMITTEE ON WAYS & MEANS
TESTIMONY REGARDING SB 21 SD 1
RELATING TO GOVERNMENT**

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

DATE: MARCH 5, 2009

TIME: 10:20AM

ROOM: 211

This measure creates temporary exemptions in procurement, rulemaking, and employment for purposes of implementing the State's interests in the American Recovery & Reinvestment Act of 2009.

The Department of Taxation (Department) **supports the tax provision** in this measure.

The Department supports the provision in this measure that exempts persons contracting with the State for purposes of the 2009 Stimulus Act from obtaining an upfront tax clearance. Under current law, a contractor cannot begin performing services until a tax clearance from the State and Internal Revenue Service has been received. Under this bill, the tax clearance requirement still remains; however only at the backend. As proposed under the bill, the contractor will be able to begin working for the State to carry out the provisions of the 2009 Stimulus Act; however they will not get paid until a tax clearance is issued.

Due to the urgency in implementing the State's interest in the 2009 Stimulus Act, the Department supports clearing contractors for taxes prior to their payment, rather than prior to their beginning services.

Ultimately, a contractor still must obtain a tax clearance before they are paid, which the Department believes is sufficient motivation under the circumstances.