HB 1605

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
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STATE OF HAWAII
DEPARTMENT OF TAXATION
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SENATE COMMITTEE ON WAYS & MEANS
TESTIMONY REGARDING HB 1605 HD 1 PROPOSED SD 1
RELATING TO TAXATION

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: MARCH 24, 2009
TIME: 9:30AM
ROOM: 211

This measure provides the counties with the authority to assess a retail sales tax up to an unspecified percent of the retail sale on tangible personal property. The measure also requires notification to the Department of Taxation regarding a county's imposition of the tax. The measure also allows a county to "authorize" the Department to assess and collect the tax for the county, which allows the Department to retain 5% to offset costs.

The Department of Taxation (Department) **opposes this measure as a tax increase** and because of potential **administrative burdens**.

SALES TAXES GENERALLY—In brief, a sales tax is a tax on the purchaser of goods, collected by the seller, on the end-sale of tangible personal property. In most sales tax jurisdictions, services and intangibles are not taxes. There are typically numerous exemptions, namely the sale of unprepared food for home consumption. Sales tax rates in states vary depending upon location. Most sales tax jurisdictions provide the authority for states, counties, cities, and towns to each add their own portion of tax to a form a total rate.

THIS MEASURE IS SIMPLY A TAX INCREASE—Though the Department is generally supportive of the "Home Rule" concept and allowing counties to have autonomy to deal with truly local issues, the Department does not support this measure because of the potentially damaging effect this measure could have on the State's economy as a tax increase. With the slowing economy impacting struggling families, tax increases should be avoided as much as possible. The Department is also strongly concerned with the timing of this legislation because the state and nation are in a recession where taxpayers are worried about their finances. The sales tax is highly regressive and will impact the poor the most.

COUNTIES HAVE SUFFICIENT FINANCING TOOLS ALREADY AVAILABLE— The Department points out that governments at all levels—federal, state, and local—are hurting from the economic hardships. Currently, counties are authorized to enjoy 100% of the real property taxes assessed in their respective counties. Also, counties are authorized to obtain bond financing. The counties also had the opportunity to add a surcharge to state general excise tax to finance local transit projects. The counties have sufficient financing tools available currently in order to balance their budgets. They can adjust their property taxes; eliminate tax breaks; float bonds; obtain grants; or cut spending—all of which can assist with balancing local budgets without raising taxes that have the potential devastating economic effects of a sales tax.

THE COUNTIES SHOULD ADMINISTER THEIR OWN TAXES—After the county surcharge on state tax assessment and collection issues, the Department can speak with some authority on this issue. The Department strongly believes that the counties—in the spirit and intent of Home Rule—should be assessing and collecting their own taxes. Though the counties may not be set up to collect a sales tax at this point; if a sales tax is to be made permanent as provided in this bill, it would be logical for the counties to establish their own revenue departments with management of all local taxes if this bill is passed.

IF THE DEPARTMENT MUST COLLECT THE TAX, SUFFICIENT RESOURCES MUST BE PROVIDED OR THE END-RESULT COULD JEOPARDIZE THE STATE'S TAX COLLECTIONS—Further to the Department's position that the counties should be responsible for their own revenue collections, the Department stresses extreme caution when considering passing this bill and to do so methodically. There were many issues that arose with the collection of the county surcharge that should be avoided.

If the Department is to collect the tax, sufficient resources must be provided in order to collect the various taxes, or the general excise tax collections could be jeopardized. The Department will be collecting possibly 4 different rates at 4 potentially different points in time. There will be 4 different sets of exemptions. There will be 4 different sourcing concepts with potentially differing and conflicting points. The biggest problem perceived by this measure is time—there simply is not enough time to get a system up and running without assurances in the statute that a sufficient delay will exist. The Department's primary obligation is the general fund and the state taxes that fill its coffers. If the Department is sidetracked into helping the counties figure out what type of sales tax to institute and then be responsible for collecting the taxes without the resources, state collections could be hurt.

Some of the resource-intensive issues that must be sorted out before any measure such as this can be passed are:

- **Computer Issues**—The Department very easily could require an entirely new computer system that can handle the intricacies of a statewide tax, as well as 4 separate sales taxes, which are entirely different tax types.

- **<u>Time</u>**—A county sales tax should have an implementation date similar to the county surcharge; however such date should be 1 ½ or 2 years in the future for timely adopting of rules, policies, passing of ordinances, forms, computer programming, etc. As written, this bill could allow a county sales tax to take effect as early as January 1, 2010, which is not enough time to get a dependable system up and running.

- **<u>Staff</u>**—The Department would need additional staff for processing, auditing, policing, collecting and otherwise managing 4 separate sales taxes on top of the state taxes. The goal would be to ensure sufficient resources are not drained from the focus of state taxes; yet a sufficient number focusing on county taxes as well.

- **<u>Forms</u>**—Forms would need to be developed for the 4 differing taxes.

- **<u>Rules</u>**—The law allows rules to be passed to deal with regulating the sales taxes. If this bill is passed immediately with no delay, the Department will be unable to pass policies and rules under Chapter 91 due to the lengthy rulemaking process. There should be exemptions from Chapter 91 for the Department if the sales taxes can be passed immediately.

- **<u>Reimbursement</u>**—The bill appears to allow the Department to retain 5% of the revenues. In order to avoid the emergency appropriation needed to collect the county surcharge, provide the Department with money prior to the date the tax starts and provide that any computer system development be on a benefits funded basis. In addition, the bill should be amended to clarify that the Department may retain the revenues and may deposit these revenues into the Tax Administration Special Fund and amend the special fund to allow use of those funds to administer county sales taxes. Without a fixed and consistent stream of revenue that the Department can utilize immediately, the state tax collection impact could be very real.

THE BUSINESS COMMUNITY WILL BE GREATLY IMPACTED—In addition to burdening the Department, the business community will also be greatly impacted. The implementation of the county surcharge was essentially a joint effort between the Department and businesses who, like the surcharge, will be responsible for collecting the sales tax and remitting it to the government. Many businesses are just now getting comfortable with an add-on for Oahu. Now businesses state-wide will be impacted again with learning an entirely new tax system. Businesses will also be impacted financially with programming costs to ensure that the proper amount of tax is collected.

REVENUE IMPACT—There is no revenue impact to the general fund, except for the potential revenue leakage that could occur if enforcement and collection efforts shift to deal with the county taxes rather than the state taxes if resources are insufficient.

Assuming that the tax rate is 1%, annual revenue gains to the respective counties could be:

- $143.7 million for Honolulu County,
- $39.1 million for Maui County,
- $29.4 million for Hawaii County, and
- $15.5 million for Kauai County.

HAWAII COUNCIL OF MAYORS

Testimony of the

Hawaii Council of Mayors
Bernard P. Carvalho, Jr., Mayor of Kauai
Mufi Hannemann, Mayor of Honolulu
Billy Kenoi, Mayor of Hawaii
Charmaine Tavares, Mayor of Maui

Before a Hearing of the
Senate Committee on Ways and Means

March 24, 2009

House Bill 1605, H.D. 1, Proposed S.D. 1, Relating to Taxation

The Hawaii Council of Mayors appreciates the Senate's support for greater county home rule, particularly with regard to taxing authority. However, we would be deeply concerned and strongly opposed to this bill if it were part of an effort to grant the counties new taxing authority, while concurrently removing an important source of revenue for the counties, specifically our share of the transient accommodations tax.

The counties have been struggling with declines in revenues and increasing expenses, as has the state government, and we are very reluctant to accept any proposal or package of proposals that would, in effect, force us to overhaul the budgets we have already submitted to our county councils for review. We have imposed aggressive cost-cutting measures, taking steps such as freezing hiring and leaving hundreds of positions vacant. We have required agencies to reduce spending across the board and to defer maintenance and equipment purchases. Some of us have dipped into our emergency reserves and spent down our carry-over balances, and still we are faced with escalating retiree and active employee health costs, potential collective bargaining costs, and other cost increases that are not part of our budget.

Mayor Billy Kenoi
County of Hawaii
25 Aupuni Street
Hilo, Hawaii 96720

Mayor Mufi Hannemann
City and County of Honolulu
530 South King Street
Honolulu, Hawaii 96813

Mayor Bernard Carvalho, Jr.
County of Kauai
444 Rice Street
Lihue, Hawaii 96766

Mayor Charmaine Tavares
County of Maui
200 South High Street, 9th Floor
Wailuku, Hawaii 96793

Our balanced budget proposals have always assumed the Legislature would continue to transfer to the counties our share of the transient accommodations tax. We are counting on that revenue source to make our financial plans work, and any change in that assumption would throw our plans into disarray.

If the Legislature approves this new taxing authority for the counties and concomitantly diverts our share of the hotel room tax to the state, the Legislature will have effectively forced the counties to raise taxes.

While we fully recognize the financial predicament faced by our jurisdictions, state and county alike, this is not the time to grant the counties taxing authority. In fact, your reconsideration of the original House Bill 1605, which proposes a comprehensive review and analysis of Hawaii's tax system, would be a more prudent approach to the entire taxation issue rather than through this single proposal.

Mahalo.

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

AFSCME LOCAL 152, AFL-CIO

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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association
March 24, 2009

H.B. 1605, H.D. 1 (Proposed S.D. 1)
– RELATING TO TAXATION

The Hawaii Government Employees Association supports tax increases to address the serious financial problems faced by the state and four counties. Difficult decisions will have to be made in order to achieve a balanced budget. However, we are opposed to taking away revenues currently directed toward the counties.

Resolving the deficit only through cutting state and county spending will do greater harm to the economy and will lengthen the recession. When government spending is drastically cut, money is taken out of the economy as the state spends less on employee wages and the purchase of goods and services.

Whatever revenue increases may be implemented, tax fairness should also be considered. Because the personal income tax is the major progressive tax levied by most states, it is a good source of revenue that tends to grow at the same rate as the overall economy.

The current budgetary challenges can also be addressed in part by counties raising the sales tax as appropriate and necessary. Currently, the counties are dependent on funds received from the real property tax. An additional revenue source that applies more broadly to all individuals within their jurisdictions may be called for given the current economic climate.

Thank you for the opportunity to testify in support of H.B. 1605, H.D 1 (Proposed S.D. 1).

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

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L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, County retail sales tax

BILL NUMBER: HB 1605, Proposed SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Adds a new section to HRS chapter 46 to allow any county to impose a retail sales tax of ___% on the retail sale of tangible personal property. The retail sales tax shall be levied and assessed on, and collected from the final consumer for the county by the retail seller of tangible personal property; provided that the retail sales tax shall be levied on the price of tangible personal property sold to a final consumer before the imposition of the general excise tax. The retail sales tax collected from the final consumer by the retail seller shall not be subject to the general excise tax. Each county that adopts a retail sales tax shall immediately notify the department of taxation. The retail sales tax shall take effect on the succeeding January 1 that is at least one hundred eighty days subsequent to the date of the adoption of the retail sales tax in that county.

Each county shall be responsible for the assessment and collection of the retail sales tax; provided that a county may authorize the department of taxation to assess and collect the retail sales tax; provided that, if a county authorizes the department of taxation to assess and collect the retail sales tax, the department of taxation shall retain five percent of the amount assessed and collected as reimbursement for the costs of the assessment and collection. The department of taxation may adopt rules pursuant to chapter 91 and create forms as necessary to carry out the purposes of this section.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The proposed measure authorizes any of the counties to impose a county sales tax on the sale of tangible personal property. While no rate is specified and each county may adopt any rate by ordinance, a rate higher than the 4% state general excise tax could be a possibility under the proposed measure. The proposed measure, if adopted, will provide the counties with another source of revenue in addition to its largest source of revenue, the real property tax.

There are two points for lawmakers to consider: (1) the blurring of the lines of accountability when a tax source is shared by two levels of government, a point raised by the 1989 Tax Review Commission; and (2) the allocation of gross income for companies doing business in more than one county. An example of the latter is a store that may be based on Oahu but has customers on the Neighbor Islands.

If this measure is adopted and the counties impose the tax, the tax will more than likely be collected along with the state's general excise tax, consumers will still blame the state and, more importantly, state lawmakers for raising taxes. This is the very point the 1989 Tax Review Commission made about the sharing of a tax resource. That is, sharing blurs the accountability for the imposition of the tax as well as the expenditures made from the taxes collected.

The other point to consider here is one that the state has tried to grapple with for the past 50 years and that is the collection of the tax when the sale is made by a retailer in another jurisdiction and at different tax rates if the counties do not adopt a uniform rate. If this measure is to be approved, lawmakers should set the rate at a definite number so there isn't a variety of retail rates across the counties. Lawmakers may even want to make adoption unanimous among the counties.

Note well that this is a "retail sales" tax that would be imposed only on goods and then only for final consumption. So it will not have the same revenue generating power that the general excise tax does have. Because the counties would have to opt for the adoption and levy, it puts the onus squarely on the shoulders of local government officials. It should be remembered that the counties begged the 1978 constitutional convention to hand over the complete control of the real property tax to the counties, promising never to again come back to the legislature for grants or other appropriations. That promise lasted not more than two or three years when county officials returned once more with hat in hand asking for state grants and subsidies.

When the legislature attempted to repeal what was known as the Act 155 grant-in-aid program, the counties fought vehemently to save that program. The legislature in the mid-1980's attempted to take away the sting of the real property tax by proposing to raise the general excise tax to 6% and in return mandating that the real property tax be suspended. The counties did not want to assume the blame for the increase in that tax and the plan failed to gain approval. Then in 1989 when the state coffers were flush with the windfall from the TAT which had yet to be earmarked for the building of the convention center, lawmakers decided to share the largesse from the TAT first with an outright grant-in-aid to the counties and later when the TAT was earmarked for the convention center did the counties get a more generous earmarked portion of the TAT. Then in 1997, the counties had the audacity to beg the legislature to share a part of the general excise tax revenue in return for the counties assuming certain services that were duplicated at the state and county level. Thus, the litany for state "bailouts" of the counties has been an annual parade of beggars believing they can get another dime in their tin cups. Thus, it appears that this proposal puts the ball back into the court of homerule. If the counties think that they continue to feed at the trough while not taking the responsibility for raising the taxes they like to spend, then giving the counties yet another source by which they can raise their own resources seems only fair.

On the other hand, this proposal represents just another way taxpayers will be nickeled and dimed to death to keep county officials in tax-guzzling Hummers. Real property taxpayers should be insulted as this proposal represents county governments that are unwilling to be held accountable for the runaway spending that county officials have been allowed to undertake over the past two decades. In the end, it is the taxpayers who will come out of this with even bigger holes in their pockets.

But the bottom line is the same across the board, it is not a matter of not having enough revenue as it is the unwillingness of elected officials to tighten the counties' or the state's purse strings in bringing expenditures into line with resources. Instead of doing the fiscally responsible thing, especially in a struggling economy, the response is to just raise more taxes.

Digested 3/23/09

Senator Donna Mercado Kim, Chair
Senator Shan Tsutsui, Vice Chair
Committee on Ways and Means

HEARING Tuesday, March 24, 2009
9:30 am
Conference Room 221
State Capitol, Honolulu, Hawaii 96813

RE: HB1605, HD1, Proposed SD1, Relating to Taxation

Chair Kim, Vice Chair Tsutsui, and Members of the Committee:

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

RMH strongly opposes the proposed SD1 to HB1605, HD1, which authorizes each county to establish a retail sales tax on the sales of tangible personal property.

Adding additional costs to Hawaii's businesses and consumers most assuredly will undermine any and all efforts to stimulate our economy and return Hawaii the prosperity that we enjoyed just a short time ago.

- Consumers: Consumerism accounts for two-thirds of the gross state product. The condition of the economy has already caused residents to reduce their spending: the continued decrease in GET from the retail sector is glaring evidence. Adding greater costs to goods will further constrict spending and ultimately have the opposite effect of revitalizing the economy.

- Retailers: Retail sales have declined steadily since the second quarter of 2008. Holiday sales, which account for 25% to 40% of a retailer's annual business, were down double digits last year. Hawaii's retailers are struggling to maintain operations, and, more specifically, to retain their employees and avoid layoffs. The administrative costs of implementation, including modifying POS systems, record-keeping, and reporting, will add considerable cost-burden to our businesses. The greatest harm will be to small retailers that do not have the resources to incur further costs.

- Streamlined Sales and Use Tax Agreement: SB1678, SD3 is moving Hawaii closer toward participating in this program and realizing additional revenue. The proposed SD1 to HB1605, HD1, will undermine any progress achieved so far.

Providing incentives (like tax holidays) for consumers to encourage spending is the most effective way to stimulate the economy. Further taxing consumers will have the opposite effect. **We respectfully urge this Committee not to move forward with the SD1**. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill

Carol Pregill, President

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Maserati of Hawaii
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JN Lotus
La Collezione Nicolai
JN Car and Truck Rentals
JN Leasing
JN Advertising
JN Development

March 20, 2009

To: Honorable Senator Donna Mercado Kim, Chair
Members of Committee on Ways and Means
Committee on Ways and Means

Fax: 586-6659
Attention: Senate Sergeant-At-Arms

RE: House Bill 1605 HD1

Dear Honorable Chair Kim and Members of the Committee on Ways and Means:

I wish to support passage of House Bill 1605 HD1 which provides for obtaining information and perspectives to enact legislation to improve and adjust Hawaii's tax codes to meet the State's goals.

I concur that it's necessary to determine whether the current tax laws need to be revised to meet our social and economic policies as they may change from time to time.

I urge your approving House Bill 1605 HD1.

Sincerely,

Joseph P. Nicolai
President

JPN/clt

Peter B. Savio
931 University Avenue, Suite 105
Honolulu, Hawaii 96826-3241

March 23, 2009

One Page Facsimile to 587-7205

The Honorable Donna Mercado Kim, Chair
Committee on Ways and Means
Hawaii State Senate

Dear Senator Mercado Kim:

Re: S. B. 1207 and H. B. 1605, Relating to Taxation

I support S.B. 1207 and corresponding H.B. 1605. Hawaii's tax law has not been overhauled since its inception. It is based on ownership and business patterns that existed many years ago.

Ownership patterns have changed with many of our residential lands now owned by mainland and foreign buyers. Originally, we funded our State from income taxes. In some counties, 30% to 35% of our residential lands are owned by non-residents. They pay property taxes which are low but no state income taxes. We also need to address the local residents who claim residency in another state on the mainland spending six months in Hawaii and six months on the mainland to avoid Hawaii's income taxes. Our ownership patterns have changed and our taxing policies have to change so everyone will pay their fair share.

Another example is the use of 1031 tax-deferred exchanges. Originally, local families benefited and the money stayed in Hawaii. Now large mainland groups are buying property in Hawaii and then selling at substantial profits. These profits are being reinvested on the mainland, thus taking billions of dollars in profits out of Hawaii without paying taxes on the sales in Hawaii. This places a greater burden on local taxpayers.

We need to change Hawaii's tax laws by looking at some of the following changes that have taken place:

- Big five companies are gone.
- Land reform resulted in leasehold being eliminated, but this has made our lands more acceptable to mainland buyers and off-island buyers.
- Collapse of the plantations has resulted in our agricultural lands being placed on the market for sale. Low taxes encourage agricultural use but also encourage speculation.

We need to restructure our tax laws to be fair and to meet Hawaii's needs today, not our needs of old. We need to meet our residents' needs, not the outsiders' needs. Please pass this bill.

If you have any questions, I can be reached at my office at 951-8976, by fax at 946-3224, or via email at peters@hihltd.com.

Sincerely,

Peter B. Savio

Peter B. Savio

L:\Hawn Island Homes\Docs\Letters\Legislation\HB 1605 Senator Donna Mercado Kim 3-23-2009.doc

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March 23, 2009

The Honorable Donna Mercado Kim, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: H.B. 1605, H.D.1, Proposed S.D. 1, Relating to Taxation

HEARING DATE: Tuesday, March 24, 2009 at 9:30 a.m.

Aloha Chair Kim and Members of the Committee on Ways and Means:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of the HAR and its 9,600 members in Hawai'i. HAR **strongly opposes** H.B. 1605, H.D.1, Proposed S.D. 1, Relating to Taxation, which authorizes each county to establish a retail sales tax on sales of tangible personal property.

HAR believes that the tax increase represented by the new Retail Sales Tax contained in H.B. 1605, H.D.1, Proposed S.D. 1, will increase the already high cost of living in Hawaii.

Furthermore, since H.B. 1605, H.D.1, Proposed S.D. 1, does not contain a related use tax, it will incentivize Hawaii consumers to import items from the Mainland through the internet thereby discriminating against local merchants who must collect the Retail Sales Tax from consumers in Hawaii.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.

kim4 - Elizabeth

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 23, 2009 1:59 PM
To: WAM Testimony
Cc: oswalds@oha.org
Subject: Testimony for HB1605 on 3/24/2009 9:30:00 AM

Testimony for WAM 3/24/2009 9:30:00 AM HB1605

Conference room: 211
Testifier position: support
Testifier will be present: No
Submitted by: Oswald K. Stender
Organization: Individual
Address: 660 Mapunapuna St. Honolulu, Hawaii
Phone: (808)3484894
E-mail: oswalds@oha.org
Submitted on: 3/23/2009

Comments:
This testimony is in support of HB1605 HD1, titled: Taxation;Hawaii Tax Review Initiative. The purpose of this bill is to address and evaluate Hawaii's tax policies of the past in order to help our State to redirect government policies in light of the current economic conditions which our State faces. There have been many economic and social changes that have occurred over these mmany years and our tax policies have been adopted piece meal as a need surfaced therefore our current merriad of tax policies need to be revisited. As an example, Hawaii has seen tremendous changes in land use and ownership that has resulted in widescale land speculation thus creating tremendous tax burdens to our local homeowner citizens, while speculators and the wealthy have benefitted greatly. Another is the fact that visitors to Hawaii have benefitted from their visits to hawaii without paying their fair share of the burdens of costs of infrastructure paid for by our tax paying citizens. There are many more equities suffered by our tax payers and these need to be corrected. Mahalo for your seriouse consideration of this very important matter affecting the economic well being of our Hawaii citizens. Mahalo. O. K. Stender

JAMES W. Y. WONG

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To: Senate Member Donna Mercado Kim (Via Facsimile 587-7205)
Chairman, Ways and Means
Fm: James W. Y. Wong
Dt: March 4, 2009
Re: SB1207 and corresponding HB1605

Dear Honorable Chair Kim and Members of the Ways and Means Committee:

I had presented my testimony in support of HB1605 - Taxation; Hawaii Tax Review Initiative and am providing this additional written testimony in favor of SB1207.

I understand there is a Tax Commission that reviews our tax structure every five (5) years, but I strongly urge that we consider other measures to address and evaluate our tax policies of the past in order to help our community to redirect our government policies and achieve new goals for the State of Hawaii.

The Bill will provide for independent economist/consultant input from both Hawaii and the mainland.

If we go back to the inception when our tax laws were introduced, we will find that these laws were prepared and influenced by the "Big 5" companies and "big landowners". These "Big 5" companies and "large landowners" also controlled the commerce, banking, insurance, importing, retailing, namely the whole economics was in their control. Therefore, the tax structure introduced then and basically in existence now should be revisited to take into consideration the many economic and social changes that have occurred over the decades. Further this study should confirm if it can be structured more fairly and equitably to generate additional income for the economy of our State.

The Legislature received a report in the 2008 session on the future of Hawaii, "Hawaii 2050 Sustainable Plan", and with the global economic crisis we are in today some of the old tax policies have to be re-examined.

Query - Why are the real property tax in Hawaii one of the lowest in the country while we have one of the highest cost of real estate?

Query - Why are our hotel room tax one of the lowest compared with similar cities in the United States especially when most of the hotels are owned outside the United States.

Query - Why is the gross income taxes the largest segment of our revenue in the State and is some of the old Regulation related to formation of these Regulations related to the "Big 5" and "large landowners"?

These queries are some of the concerns I hope will assist the Legislature to evaluate and redirect the burden of taxation to be more equitable. Because of the State's economic situation, the Bill provides the cost to be shared one-half (1/2) by the State and one-half (1/2) by private concerned citizens.

Therefore, for the future of our State of Hawaii and our youth, I strongly urge that you support SB1207.

Sincerely,

James W. Y. Wong

cc:

- Senate Member Shan S. Tsutsui
- Senate Member Suzanne Chun Oakland
- Senate Member J. Kalani English
- Senate Member Carol Fukunaga
- Senate Member Brickwood Galuteria
- Senate Member Clayton Hee
- Speaker Calvin K. Y. Say
- Senator Brian Taniguchi
- Senator Will Espero
- Senator Sam Slom
- Senate Member Gary L. Hooser
- Senate Member Michelle N. Kidani
- Senate Member Russell S. Kokubun
- Senate Member Jill N. Tokuda
- Senate Member Fred Hemmings
- Senate Member Norman Sakamoto
- Senator Robert Bunda
- Senator Rosalyn Baker
- Senator David Ige

PAUL Y KANG (B)

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March 23, 2009

Honorable Senator Donna Mercado Kim, Chair
Members of Committee on Ways and Means
Committee on Ways and Means
Fax (808) 587-7205

RE: House Bill 1605 and Senate Bill 1207

Dear Honorable Chair Mercado Kim and Members of the Commiteee on Ways and Means

I wish to support passage of Senate Bill 1207 and House Bill 1605 HD1 which provides for the establishment of a Hawaii tax review initiative to explore the historical development and evolution of Hawaii's taxation to determine if our State's existing tax policies are relevant and effective in achieving our long term economic and social goals and objectives. The information that would be obtained would better improve and adjust Hawaii's tax codes to meet the State's goals.

Taxes are a necessity to operate government and I concur that it's necessary to determine whether the current tax laws need to be revised to meet our social and economic policies as they may have change from time to time. The desired outcomes of the Hawaii tax review initiative are to have a better understanding of our tax code and policies, the relevancy of our evolving tax policy in relation to current economic and social conditions, updating the impact of our tax policy on key aspects of Hawaii's society and proposing legislation to improve and adjust our tax code in a way that's relevant to the state's current goals and objectives.

As one of the supporters of this bill, I intend to work with private businesses to help raise fund to pay for half of the cost of hiring an independent firm to conduct such study.

I urge your approving Senate Bill 1207 and House Bill 1605 HD1.

Sincerely,

P.S. I understand there is a tax commission that reviews our tax structure every five (5) years but I strongly urge that we consider other measures to evaluate our tax policies of the past in order to help our community to redirect our government policies and achieve new goals for the State of Hawaii.

Honorable Senator Donna Mercado Kim, Chair
Members of Committee on Ways and Means
Committee on Ways and Means

Attn: Senate Sergeant-At-Arms
Facscimile: 586-6659

RE: House Bill 1605 HD1

Dear Honorable Chair Mercado Kim and Members of the Commiteee on Ways and Means:

PETITION:

We wish to support passage of House Bill 1605 HD1 which provides for obtaining information and perspectives to enact legislation to improve and adjust Hawaii's tax codes to meet the State's goals.

We urge your approval of this bill.

Print Name	Signature	Address
Lori Lee	[illegible]	3737 Manoa Road
Gail Sugita	[illegible]	3737 Manoa Road
June Akina	June Akina	3737 Manoa Road
Misty Torres	[illegible]	3737 Manoa Road
Roz Moore	Rosalind Moore	" " "
Ross Dara	[illegible]	3737 Manoa Rd
Lauren Estern	Lauren Estern	3737 Manoa Road
JR Parcl	[illegible]	3737 Manoa Road
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MARTIN LEE	Martin Lee	204 Kalalau ST
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