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HB 1605

HAWAII COUNCIL OF MAYORS

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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

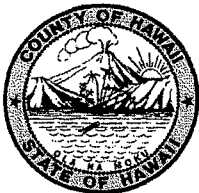
Decision-making of the
Senate Committee on Ways and Means

April 6, 2009

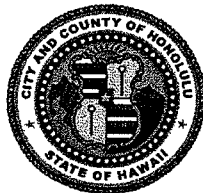
House Bill 1605, H.D. 1, Proposed S.D. 1, Relating to Taxation

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.



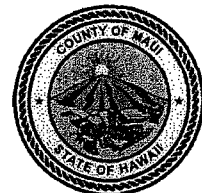
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County of Hawaii
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Hilo, Hawaii 96720



Mayor Mufi Hannemann
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530 South King Street
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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.

Department of Taxation

Position Summary

Senate Committee on Ways & Means/April 6, 2009

9:30am Agenda

Bill Number	Bill Title "Relating to..."	Position	Comments	Revenue Impact	Methodology
HB 896 HD 1	TOBACCO (extends the retail permit)	Support	No technical comments	The Department projects that any loss in enforcement efforts in the monitoring of tobacco retailers could result in a revenue loss of approximately \$5.3 million per year. General Fund Gain: \$4.0 mil FY10 and after. Special Funds Gain: \$1.3 mil FY10 and after.	Total tobacco tax collection for CY 2008 amounted to \$106.0 million. According to the current law, the permit requirement expires on July 1, 2009. We assumed that tobacco tax collection would decrease 5% due to lower level of compliance. If the sunset date is repealed, tobacco tax collection will increase \$5.3 million per year (\$106.0 million X 5%).
HB 1600 HD 1	TAXATION (GET common paymaster amendments)	Needs amendments	Clarification of definition of management needed. See previous WAM testimony (March 24)	Revenue loss of \$3 million each year	
HB 1605 HD 1	TAXATION (authorizes a county sales tax)	Opposed See previous WAM testimony on Proposed SD1 (March 24)	No technical comments	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: <ul style="list-style-type: none"> • \$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. 	

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