



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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LATE TESTIMONY

**The Twenty-Fifth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Economic Revitalization, Business and Military Affairs**

**Testimony by
Hawaii Government Employees Association
February 2, 2010**

**H.B. 2368 – RELATING TO
TAXATION**

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of H.B. 2368 – Relating to Taxation. This bill proposes to increase the general excise and use tax by 1% for six years and raises the amount of the refundable food/general excise tax credit. In addition, it reduces the general excise tax liability on certain eligible businesses by 10% over four years, and phases out the corporate income tax on corporations, regulated investment trusts.

Revenue generation as part of a balanced approach to addressing state deficits has been approved by voters and legislatures in last few years. Economic reports consistently show that states which raised revenue did not suffer lower growth than states that relied predominantly on cutting services. Raising revenue is far more preferable than additional cuts in education, social services and health care which weaken our economic and social vitality. Of course, any increase in the general excise tax must also include increases in the refundable food/general excise tax credit.

A budget that relies too heavily on cuts will not only force layoffs of employees, but will also decrease funding in the state for crucial services, thereby reducing spending in the private sector. Less state spending means fewer purchases from suppliers, reduced contracts with service providers, less money from public and private employee paychecks circulating through local businesses. Every dollar of state spending generates about \$1.41 of economic activity, according to the Economic Opportunity Institute. Much of that spending, 88 cents for every dollar or 62%, benefits the private sector.

We appreciate the opportunity to testify in support of H.B. 2368.

Respectfully submitted,

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Deputy Executive Director