

Linda Lingle
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE

February 17, 2010, 4:30 p.m.
Room 308, State Capitol

In consideration of
H.B. 2878
RELATING TO TAXATION.

The HHFDC **opposes** sections 2, 16, 24, and 32 of H.B. 2878, all relating to the repeal of General Excise Tax (GET) exemptions for certified or approved housing projects from July 1, 2010 through June 30, 2015. We defer to the Department of Taxation with respect to the remainder of this bill.

The Legislature's intent for the GET exemption was to assure the economic feasibility in the development of a housing project which will encourage and enable the production of as many lower cost housing units as possible. The GET exemption has done just that. H.B. 2878 will also adversely affect the financial feasibility of existing affordable housing projects that have previously been certified for GET exemptions. The net result of the proposed repeals is to increase the risk of default of affordable rental housing projects statewide.

Our preference is for the Committee to delete sections 2, 24, and 32 from this bill. However, we understand the intent of this bill to address the budget shortfall due to the fiscal downturn. Therefore, we respectfully request that H.B. 2878 be amended to exempt affordable housing projects that have been certified for GET exemption prior to July 1, 2010, the effective date of this bill. The proposed amendment follows:

SECTION 40. This Act shall take effect on July 1, 2010 and except for section 21, this Act shall be repealed on June 30, 2015; provided that, sections 2, 24, and 32 shall not apply to a housing project which has been certified or approved under section 201H-36, Hawaii Revised Statutes, and exempted from general excise taxes under section 237-29,

Hawaii Revised Statutes, prior to July 1, 2010; provided
further, that sections 46-15.1, 209E-11, 235-110.7, 237-
1,237-4, 237-21, 237-22, 237-23, 237-24, 237-27, 237-29.55,
238-1,238-3, 246-34.5, 349-10, 356D-129, 421H-4, Hawaii
Revised Statutes, amended by this Act shall be reenacted in
the form in which they read on the day prior to the
effective day of this Act.

Thank you for the opportunity to testify.

TO : COMMITTEE ON FINANCE
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice chair

FROM: Eldon L. Wegner, Ph.D.
Policy Advisory Board for Elder Affairs (PABEA)

HB 2878 RELATING TO TAXATION

4:30 pm Wednesday, February 17, 2010
Conference Room 308, Hawaii State Capitol

PABEA supports passage of HB 2878.

for Elder Affairs has a statutory obligation to advocate on behalf of the senior citizens of Hawaii.
While we advise the Executive Office on Aging, we do not speak on behalf of the Executive Office of Aging.

During this time of economic crisis and revenue shortfalls for our state government, we need to find alternative revenue in a way that assures that everyone shares in the cost rather than to further cut the programs and services needed by our most vulnerable populations.

§ We support at least a temporary increase in some tax rates in order to assure that the fiscal burden is shared by those most able to afford more taxes.

Thank you for allowing me to testify.

The Twenty-Fifth Legislature
Regular Session of 2010

The House of Representatives
Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

State Capitol, Conference Room 308
Wednesday, February 17, 2010, 4:30 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2878
RELATING TO TAXATION**

The ILWU Local 142 has concerns regarding H.B. 2878 Relating to Taxation.

The suspension of the exemption from the excise tax for amounts received “from the loading, transportation and unloading of agricultural commodities” shipped island to island and for “amounts received from the sale of agricultural, meat, or fish products . . . for consumption out of state on the shipper’s vessel or airplanes” would seem contrary to the State’s protecting markets.

The suspension of the exemption from the excise tax for amount received or accrued “from the loading and unloading of cargo”, “from tugboat services . . .” and “the transportation of pilots and government officials from ships . . .” would seem to a retreat from public policy that recognizes that as an island State virtually everything must be shipped in and transshipped interfiled. Excise tax would become an automatic additional cost to be passed on to the consumer. Moreover, cargo and passenger vessels pay directly into the harbor fund for harbor improvements.

The suspension of the exemption from the excise tax for the amounts received for “selling prescription drugs and prosthetic devices” would seem to be against public policy to make prescription drugs less costly and more accessible to the public.

The exemption from the excise tax of amounts received by a labor organization for real property leased to another labor organization is a recognition of the commonality of interest and that the transaction is essentially internal. Real property is held in trust by another organization to protect the assets from liability. The suspension of the exemption would subject what is recognized as an internal transaction to excise tax.

We understand that this bill is not intended to tax donations made to or made by a charitable organization nor would the tax apply to dues paid to a fraternal organization.

While it is understandable that the current fiscal crisis in the State of Hawaii has led to the consideration of many different options in order to fill the shortfall in the State

budget and it is noteworthy that is this bill takes effect July 1, 2010 and sunsets on June 30, 2015 and, therefore, is not a repeal, nevertheless, we have great concern about the negative impact of certain of the suspensions on certain segments of our community, who themselves have had to deal with the effects of the economic crisis.

Thank you for considering our views on this important matter.



THE LEGISLATIVE CENTER

1188 Bishop Street, Ste. 1003
Honolulu, Hawaii 96813-3304
PHONE: (808) 537-4308 • FAX: (808)533-2739

RECEIVED

2010 FEB 16 P 5: 52

SERGEANT-AT-ARMS
HOUSE OF
REPRESENTATIVES

February 17, 2010

Testimony To: House Committee on Finance
Representative Marcus R. Oshiro, Chair

Presented By: Tim Lyons, Legislative Committee Chair
Aloha Society of Association Executives

Subject: H.B. 2878 – RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

I am Tim Lyons, Legislative Committee Chair for the Aloha Society of Association Executives. ASAE is composed of the vast majority of the business and trade associations in the State of Hawaii and we are opposed to this bill. A listing of our membership is attached to this testimony.

Our opposition is based on the changes and deletions made to Section 237-23 (4) and (5). These two sections repeal the tax exemption for charitable, scientific, educational, business leagues, boards of trade, agricultural organizations and community organizations.

The general excise tax is a cost of doing business and for businesses that are freely able to increase or decrease their price in order to recapture that cost of business is one thing, but for those who are not able to do so, it is another.

The deletion of those organizations from those who also qualify for a state exemption under Section 501 (c)(6) flies in the face of a bill considered this year and, each and every year, that purports to conform Hawaii's tax laws with those of the Internal Revenue Code. We find it particularly ironic that conformity bills and bills to deviate are all considered in the same session and all at the same time.

The section (Section 27 of the bill; Section 237-2 4.5(a) (B) which specifically deletes the exemption for membership dues, fees and charges, we believe is also disingenuous.

It is typical that business and trade associations, in order to gain their non-profit status, have declared that they exist for the common good; they exist for the entire industry and individual businesses under that category should help to finance that effort. They should readily pay their membership dues. Unfortunately, that is not typically the case. In fact, nationwide as well as in Hawaii, the typical industry association represents something less than 50% of all participants in that industry, with few exceptions. Part of the reason for that is because there is no direct benefit to their own pocketbook and they are unwilling to finance the effort. We believe that this bill makes that argument even more true. Non-profit organizations cannot exist to the benefit of a few, but must exist for the benefit of the entire industry. To tax that effort, we believe attacks the very backbone of our culture and our society.

The IRC grants non-profit status to these organizations based on the fact that they do a common good. Because of that fact, they do not exist in order to provide a direct benefit to any one member or any group of members, but rather for the entire industry, and they therefore, are worthy of this exemption. We concur with that.

In this economy, we realize you need to have income wherever you can find it, and while this may be one of those, we think it has far reaching unintended consequences that help to deteriorate the essence of what associations are all about. Based on that, we cannot concur with the provisions that we have noted and we oppose their passage.

Thank you.

Aloha Society of Association Executives – Hawaii Chapter
Membership List

- American Red Cross – Hawaii Chapter
- Better Business Bureau of Hawaii
- Building Industry Association of Hawaii
- General Contractors Association of Hawaii
- Hawaii Association of Independent Schools
- Hawaii Association of Realtors
- Hawaii Bankers Association
- Hawaii Credit Union League
- Hawaii Food Industry Association
- Hawaii Hotel & Lodging Association
- Hawaii Insurers Council
- Hawaii Medical Association
- Hawaii Museums Association
- Hawaii Optometric Association, Inc.
- Hawaii Orthopedic Association
- Hawaii Pacific Tennis Foundation
- Hawaii Society of Certified Public Accountants
- Hawaii Transportation Association
- Hawaii Visitors & Convention Bureau
- Hawaii Wall & Ceiling Industry Association
- Honolulu Board of Realtors
- Honolulu County Medical Society
- Kaua'i Visitors Bureau
- Legislative Information Services of Hawaii
- NAMI Hawaii
- National Association of Insurance & Financial Advisors Hawaii
- NFIB
- Organizations Management, LLC
- Pacific and Asian Affairs Council
- Pacific Telecommunications Council
- Painting & Decorating Contractors Association
- Plumbing & Mechanical Contractors Association
- PROcom Hawaii
- Retail Merchants of Hawaii
- Sand Island Business Association
- Sheet Metal Contractors Association
- SMEI Honolulu
- The Legislative Center, Inc.
- Waikiki Improvement Association



Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair
Committee on Finance

HEARING Tuesday, February 16, 2010
 4:30 pm
 Conference Room 308
 State Capitol, Honolulu, Hawaii 96813

RE: HB2878, Relating to Taxation

Chair Oshiro, Vice Chair Lee, 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 the support of the retail industry and business in general in Hawaii.

RMH strongly opposes HB2878, which repeals certain exemptions under the general excise, use and public service company taxes, effective between July 1, 2010 and June 30, 2015.

In fiscal year 2009, retail revenues in the State of Hawaii declined by \$2 billion dollars from the previous year. General Excise Tax reports from the Department of Taxation indicate another three-quarters of a billion dollar decline during the first three months of the current fiscal year.

Because the financial support for RMH, not unlike that of other not-for-profit organizations, is inextricably interwoven with the performance and success of the retail industry, we have experienced significant losses in revenue. Like all businesses, we've reduced expenses, including staff compensation, as deeply as possible, while continuing to maintain the level of service to the retail industry as required by our not-for-profit mission and objectives.

Repealing our exemption from the general excise tax would impose yet another burden on the organization. It is regrettable that RMH, founded in 1901, might not survive another year.

We urge you not to pass HB2878. Thank you for your consideration and for the opportunity to testify on this measure.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII
1240 Ala Moana Boulevard, Suite 215
Honolulu, HI 96814
ph: 808-592-4200 / fax: 808-592-4202



THE QUEEN'S MEDICAL CENTER

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 538-9011 • Fax: (808) 547-4646

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE FINANCE COMMITTEE

February 17, 2010 – 4:30 p.m.
State Capitol, Conference Room 308

Re: HB 2878 – Relating to Taxation

Chair Oshiro, Vice Chair Lee, and Members of the Committee.

My name is Rick Keene, Executive Vice President and Chief Financial Officer of The Queen's Health Systems (Queen's), testifying on House Bill 2878 which repeals certain exemptions under the general excise, use, and public service company taxes. The Act takes effect on July 1, 2010 and sunsets on June 30, 2015. **Queen's is opposed to the repeal of the general excise tax exemption for nonprofit organizations and hospitals.**

The current tax exemption does not serve to increase hospital's profits; rather, it defrays significant losses and allows for continued support of community programs, non-core services, and charity care. According to the Healthcare Association of Hawaii, local hospitals incurred \$114 million in uncollected payments in 2009 resulting from bad debt and charity care. This does not reflect the anticipated increase in bad debt and charity care resulting from unemployed individuals relying on coverage through COBRA, or those who are delaying care until the need becomes urgent. Queen's contributes to the well-being of Hawaii by giving back to the community more than \$40 million annually, including costs associated with health care services, education, and uncompensated care.

We would also note that credit rating agencies take into consideration legislation that will impact financial performance. This could lower the credit ratings of tax-exempt hospitals and lead to increased cost for debt financing. Such increased costs would make it more challenging for nonprofit hospitals to continue some of their community benefit programs, which could negatively impact the community's access to health care.

The new IRS form 990, Schedule H, will provide information to the Legislature and public at large regarding tax-exempt hospital's delivery of charity care, community benefit, bad debt, and Medicare and Medicaid shortfall, all of which demonstrates the contributions that tax-exempt hospitals make to the community.

Queen's wholly appreciates the Legislature's budgetary challenges in light of the State's economic outlook. However, we respectfully request that HB 2878 be amended to eliminate reference to nonprofit organizations and hospitals.

Thank you for the opportunity to testify.



February 16, 2010

Honorable Marcus Oshiro, Chair
 And Members of the Finance Committee
 State House of Representatives
 Hawai'i State Capitol
 415 South Beretania Street, Room 306
 Honolulu, Hawai'i 96813

Dear Chair Oshiro and Members:

Subject: House Bill No. 2878
 Relating to Taxation

The Mutual Housing Association of Hawai'i, Inc. ("Mutual Housing") strongly opposes the portion of House Bill No. 2878 which temporarily repeals the exemption of general excise tax ("GET exemption") for certified affordable housing projects as of July 1, 2010 and sunsets on June 30, 2015.

As Hawai'i faces an affordable housing crisis, we have seen our number of homeless growing, while even working families find it necessary to double-up with family or friends. New rental housing production has not kept pace with the loss over the years of affordable housing units through demolition, speculation, and conversion to for-sale units.

Developers and owners of affordable rental housing projects rely on the GET exemption to make their projects financially feasible and to maintain the affordability of their rents for low-income families. The GET exemption for certified affordable housing projects has been in place to assist the economic feasibility in the development of affordable housing projects. It has proven to be a successful incentive for the development and preservation of affordable housing and should be allowed to continue.

Thank you for the opportunity to provide this testimony.

Sincerely,

David M. Nakamura
 Executive Director

CENTRAL OFFICE

Pioneer Plaza
 900 Fort Street Mall, Suite 1690
 Honolulu, Hawai'i 96813

Tel: (808) 550-0804
 Fax: (808) 550-0607
 E-mail: mhah@mutual-housing.org

PROPERTIES

Lihue Court Townhomes
 Kekaulike Courtyards
 Palolo Homes

BOARD OFFICERS

Dee Dee Letts
 President

Warren G. Haight
 Vice-President

Jen Naoc Sullivan
 Secretary

Dee Darby
 Treasurer

BOARD OF DIRECTORS

John W. Anderson
 Patricia K. Brandt
 Naomi Sakamoto
 Kelly Walsh

BOARD OF ADVISORS

Richard S. Koening
 Oswald Stender

EXECUTIVE DIRECTOR

David M. Nakamura



February 12, 2010

The Honorable Marcus Oshiro
Chair, House Finance Committee
39th Representative District
Hawaii State Capitol, Room 306
415 South Beretania Street
Honolulu, HI 96813

Dear Chairman Oshiro:

I am writing to express my opposition to the provision of HB 2877 and 2878 that would require fraternal benefit societies to pay general excise tax in the State of Hawaii. I am disappointed that legislation to tax fraternal benefit societies is back on the table again this year and that additional taxation of death, sickness, and accident benefits is also being considered as part of HB 2877.

Foresters purpose is to champion the well-being of families through quality life insurance, unique member benefits and inspiring community activities. Across Hawaii, our almost 1,700 members are making a real difference in their communities.

Every year, Foresters members raise money and offer direct support to sick and injured children in partnership with organizations such as HUGS and Children's Miracle Network. Members work side-by-side charitable organizations, lending their time to make an impact in the lives of local families.

In 2008, Foresters and other NFCA member societies contributed more than 90,900 hours of volunteer service valued at over \$1.84 million¹ and made direct financial contributions of over \$407,000 to schools, charities and community service organizations in Hawaii.

Fraternal benefit societies have long been recognized as tax-exempt entities by all 50 states and the federal government. The structure of fraternal benefit societies allows them to provide financial support and volunteer outreach activities to fill gaps in the social safety net and help Hawaiians enhance their lives and their communities.

If enacted, HB 2877 and 2878 would make Hawaii the first and only state to tax fraternal benefit societies. In addition, requiring fraternal societies to pay these taxes would have a devastating effect on our ability to support the community service projects that help thousands of Hawaiians every day.

I urge you to consider the very real consequences of enacting HB 2877 and 2878. With your support, our members can continue to make a meaningful impact in local communities across Hawaii.

Sincerely,

A handwritten signature in black ink that reads "Kasia Czarski". The signature is written in a cursive, flowing style.

Kasia Czarski
SVP, Chief Membership & Marketing Officer

¹ According to the [Volunteering in America July 2009 Research Highlights](http://www.volunteeringinamerica.gov) 2008 estimate of the dollar value of a volunteer hour (\$20.25). www.volunteeringinamerica.gov



NFCA

National Fraternal Congress of America

NATIONAL FRATERNAL CONGRESS OF AMERICA TESTIMONY IN OPPOSITION TO HB 2878, RELATING TO TAXATION

Officers:

Teresa J. Rasmussen
Chair of the Board
Thrivent Financial for Lutherans

February 17, 2010

Mark D. Theisen
Vice-Chair of the Board
Woodmen of the World/Omaha
Woodmen Life Insurance Society

Via e mail: fintestimony@capitol.hawaii.gov
Honorable Marcus R. Oshiro, Chair
Committee on Finance
House of Representatives
Hawaii State Capital, Conference Room 308
415 S. Beretania Street
Honolulu, Hawaii 96813

James R. Stoker
Secretary/Treasurer
Greater Beneficial Union of Pittsburgh

Barbara A. Cheaney
Immediate Past Board Chair
Catholic Life Insurance

Dear Chair Oshiro and Members of the Committee:

Directors:

Stuart B. Buchanan
Catholic Order of Foresters
Darcy G. Callas
Modern Woodmen of America
Joseph E. Gadbois
Catholic Family Life Insurance
Emilio B. Moure
Knights of Columbus
Christopher H. Pinkerton
The Independent Order of Foresters
Melvin L. Rambo
Equitable Reserve Association
Howard J. Wolfe
Western Fraternal Life Association

Thank you for the opportunity to testify in opposition to HB 2878 a bill relating to insurance.

On behalf of the members of the National Fraternal Congress of America (NFCA), I am writing to express our opposition to the provision of HB 2878 legislation which would subject fraternal benefit societies and hundreds of other non-profit organizations to the state's general excise tax and undermine their ability to effectively serve thousands of individuals and charities in Hawaii.

Joseph J. Annotti
President & CEO

The NFCA's 70 member societies operate in all 50 states and provide financial security to nearly 10 million Americans and their families through life insurance and related products. Societies utilize the proceeds from the sale of these products to make direct financial contributions to hundreds of charitable organizations across the country and, more importantly, to orchestrate and support their individual members' volunteer activities. In 2008, NFCA members volunteered over 94 million hours (valued at \$1.9 billion) to community service projects in 2008 and made over \$415 million in direct financial contributions to support charitable, patriotic, educational, and religious activities.

Four NFCA members – Thrivent Financial for Lutherans, Woodmen of the World, The Independent Order of Foresters, and Knights of Columbus – have active volunteer networks in Hawaii. Combined, these societies have over 9,000 members in the state and lend their financial and volunteer support to a variety of causes and organizations. The following are just a few examples of how our members have helped individuals and partnered with other organizations in Hawaii:

- Members of The Independent Order of Foresters donated over \$7,000 in support of HUGS, a group aiding children with life-threatening medical conditions. Over 40 fraternal volunteers provided respite care that allowed parents of sick children some much-needed rest and quality time with family.

- Thrivent Financial for Lutherans members donated over \$40,000 and over 3,000 hours of service to various groups dedicated to assisting Hawaii's homeless population.
- The Knights of Columbus is the largest financial supporter of the Special Olympics and its members donate thousands of hours to conducting events for special needs children in Hawaii. The Knights also provide financial support for the state's Catholic schools and charities.
- Members of Woodmen of the World provide financial and volunteer support to the state's large Korean community and are actively engaged in Korean-American Sports Days.

In 2008, members of these societies contributed more than 90,000 hours of volunteer service valued at over \$1.8 million and made direct financial contributions of over \$407,000 to schools, charities, and community service organizations in Hawaii.

Fraternal benefit societies have been recognized as tax-exempt entities by the federal government and all 50 states for more than a century. If enacted as drafted, HB 2878 would make Hawaii the first and only state to require fraternal benefit societies to pay general excise tax. Our estimates indicate that the state would generate less than \$380,000 in new tax revenues by applying the 4 percent general excise tax to fraternal benefit societies. The revenue would have a negligible impact on the state budget.

Moreover, taxing fraternal societies would severely threaten their ability to provide over \$2.2 million worth of volunteer service and direct financial aid they contribute to fill gaps in the social safety net and help people in Hawaii enhance their lives and their communities. Volunteering is the key to fraternalism – fraternal societies don't just donate money, they do the work. The economic equation simply does not add up. The people of Hawaii and the state government receive far more benefit from the fraternal tax exemption than they would if societies were subject to the general excise tax.

I urge you to consider the very real negative consequences that would result from enactment of HB 2878 in its current form and to strike the provision that would subject fraternal benefit societies and other non-profit organizations to the state's general excise tax.

NFCA members welcome the opportunity to discuss our concerns with you in more detail. I would be happy to arrange a meeting between you and your staff and representatives of the NFCA member societies serving the needs of your citizens. Please contact me if you would like to schedule such an event or if you have any questions about our position on this issue. I look forward to working with you to ensure that fraternal benefit societies continue their strong tradition of community service in Hawaii.

For the foregoing reasons, NFCA strongly opposes HB 2878 and respectfully requests that this Committee defer passage of this bill.

Again, thank you for the opportunity to testify in opposition to HB 2878.

CHAR HAMILTON
CAMPBELL & YOSHIDA
Attorneys At Law, A Law Corporation

By: 

OREN T. CHIKAMOTO
otc@charhamilton.com

cc Mr. Joseph J. Annotti



**9,277 fraternal
benefit society
members made
a difference in
Hawaii in 2008.**

**Charitable
contributions by
members and lodges
\$407,410**

**Total lodges in
Hawaii
30**

**Total volunteer hours
90,909**

WHAT IS A FRATERNAL BENEFIT SOCIETY?

Fraternal benefit societies are not-for-profit membership organizations that offer their members life insurance protection and provide them with volunteer service, educational, spiritual, leadership, and social opportunities through their community-service networks.

In 2008, fraternal benefit society members in Hawaii participated in activities that helped congregations, schools, charitable organizations and individuals in need. They also contributed more than \$407,000 to charitable programs and volunteered more than 90,000 hours in support of their communities.



MEMBERS HELP

Our volunteer outreach activities fill gaps in government programs and help people across the country enhance their communities and their lives. Here are just a few examples of our member societies' commitment to community service.

AIDING FAMILIES

NFCA member societies played a pivotal role in providing relief to victims of Hurricane Katrina and, more recently, to victims of flooding and other natural disasters. Fraternal contributions included direct financial aid to individuals and families; donations of food, clothing and other necessities to victims; opening of societies' youth camps to house evacuees; and countless volunteer hours dedicated to clean-up and recovery efforts.



JOINING HANDS TO TOUCH LIVES

Fraternal members maximize the impact of their contributions by partnering with other organizations to provide services to those most in need. NFCA member societies' partners include Habitat for Humanity, Children's Miracle Network, American Red Cross, Salvation Army, Special Olympics, and many more.

FRATERNAL BENEFIT SOCIETIES IN HAWAII

Hawaii is home to 20 fraternal benefit societies with more than 9,200 members, who contribute to communities through their local chapters and lodges in the state.

Fraternal Benefit Society	Members
Catholic Aid Association	34
Catholic Holy Family Society	3
Gleaner Life Insurance Society	34
Independent Order of Foresters	1,419
Mennonite Mutual Aid Association	35

Fraternal Benefit Society	Members
National Mutual Benefit	26
Thrivent Financial for Lutherans	1,899
Western Catholic Union	4
Woodmen of the World/Assured Life	27
WSA Fraternal Life	1

Hawaii Chapter Activities 2008

Community Partners	Number of Events	Total Attendance	Thrivent Member Volunteer Hours Recorded	Funds Raised and/or Donated
Lutheran Schools - 6 different schools - various fundraisers	8	2,423	5,881	\$76,929
Angel Network Charities - various fundraisers	3	169	1,291	\$23,637
Combined event for Angel Network Charities & Calvary by the Sea Lutheran School	1	120	1,200	\$6,805
Institute for Human Services - fundraising for shelter and food	7	323	605	\$5,651
Family Promise of Hawaii - fundraisers to house and feed homeless	5	293	2,292	\$1,900
Salvation Army - Kokua Kitchen - plan, prepare & serve lunch meal & prepare & distribute brown bag lunches	1	15,162	4,407	\$10,000
OYEA	1	243	590	\$20,032
Lihue Lutheran Church - holiday meal for needy & homeless families	1	139	207	\$4,900
Joy of Christ - backpack kits for homeless and near homeless kids	1	75	1,045	\$500
Boys and Girls Club - paint and clean facility	1	73	714	\$1,200
S.A.Y. Yes! Centers - holiday fundraiser	1	150	60	\$3,673
Total	30	19,170	18,292	\$155,227



HOUSE COMMITTEE ON FINANCE
Rep. Marcus Oshiro, Chair

Conference Room 308
Feb. 17, 2010 at 4:30 p.m. (Agenda #4)

Testimony in opposition to repeal of GET exemption for hospitals in HB 2878

The Healthcare Association of Hawaii represents its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Thank you for this opportunity to testify in opposition to the portion of Section 9 of HB 2878 that repeals the general excise tax exemption for hospitals.

Hospitals provide compassionate care to the most seriously ill and injured people in our communities 24 hours a day, seven days a week. However, many of them do not have the capacity to pay for the care that they receive. But hospitals have to find ways to pay for medical staff, equipment, and supplies that are required for care. As a result, Hawaii's hospitals incurred \$114 million in uncollected payments in 2009 for care provided to those who did not have health care insurance and did not have the financial capacity to pay for their care.

Hospitals also provide health promotion programs, disease management programs, specialized services for the elderly and adolescents, counseling clinics, and outpatient clinics for the underserved and uninsured. Payments for these services typically do not cover the actual costs. In addition, hospitals provide medical education for interns and residents in the John A. Burns School of Medicine.

The general excise tax exemption helps hospitals pay for these substantial community benefits. Without the tax exemption, hospitals would be forced to severely reduce or eliminate these benefits. In this way the tax exemption helps to maintain the high level of health care in our communities.

For the foregoing reasons, the Healthcare Association of Hawaii strongly opposes the portion of Section 9 of HB 2878 that repeals the general excise tax exemption for hospitals.



Hawai'i Primary Care Association

345 Queen Street | Suite 601 | Honolulu, HI 96813-4718 | Tel: 808.536.8442 | Fax: 808.524.0347
www.hawaiiipca.net

Senate Committee on Health

The Hon. David Y. Ige, Chair

The Hon. Josh Green, MD, Vice Chair

Senate Committee on Economic Development and Technology

The Hon. Carol Fukunaga, Chair

The Hon. Rosalyn H. Baker, Vice Chair

Testimony in Opposition of House Bill 2878

Relating to Taxation

Submitted by Beth Giesting, Chief Executive Officer

February 17, 2010, 4:30 p.m. Agenda #4, Room 016

The Hawaii Primary Care Association strongly opposes this bill to suspend the GET exemption granted to nonprofit corporations. Non-profit organizations have long enjoyed the exemption from taxation as a way to assist them in providing more services to those most in need.

Community health centers are already facing critical financial and capacity challenges due to budget cuts. In the past year we have seen a huge reduction in mental health services and benefits provided by the State, deep cuts to the State Med-QUEST program, elimination of health benefits for migrant populations, and the elimination or reduction of dental benefits. Now, health plans are being told that the State will not be making payments to them for three months. These cuts to service and budget resources affect the delivery of quality health care to patients. Community health centers are struggling to continue to provide health care to low income and vulnerable populations; eliminating the GET exemption for our health centers will result in the elimination of services and jobs. If all of the above cuts occur simultaneously, we may see some health centers close their doors.

We urge this committee to hold this measure or amend the measure to allow all nonprofits to qualify for the GET exemption. Thank you for the opportunity to testify on this measure.



**VOLUNTEER
LEGAL
SERVICES
HAWAII**

545 Queen Street, Suite 100
Honolulu, Hawaii 96813
PHONE: (808) 528-7046
TOLL-FREE: (800) 839-5200
FAX: (808) 524-2147
E-MAIL: vlsh@vlsh.org
www.vlsh.org

Moya T. Davenport Gray
EXECUTIVE DIRECTOR

BOARD OF DIRECTORS

Lincoln Ashida, Esq.
PRESIDENT
Peter Olson, Esq.
VICE PRESIDENT
Dew Kaneshiro
SECRETARY
Joanne C. Hoe
TREASURER

Joachim P. Cox Esq.
Sen. Suzanne Chun Oakland
Loretta Fuddy, ACSW, MPH
Jay T. Kimura, Esq.
Dale Lee, Esq.
Barry W. Marr, Esq.
Arthur Park, Esq.
Wayne Tanna, Esq.

To: **House Committee on Finance**
From: Moya Gray, Executive Director
RE: **Testimony on H.B. 2878
Relating To Taxation**
Hearing: **February 17, 2008, 4:30 PM**
Place: **Conference Room 308, State Capitol**

Chair Oshiro, Vice Chair Lee and members of the Committee, thank you for the opportunity to testify **IN OPPOSITION TO H.B. 2878.**

Volunteer Legal Services Hawaii is a non-profit incorporated in the State of Hawaii in 1981 and has received 501(c)(3) tax-exempt status from the Internal Revenue Service since then.

Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish, such as caring for the poor and vulnerable people in our community. Nonprofits are able to provide these services more economically and efficiently than the state.

As the Hawaii GET is a gross receipts tax, it would tap *every* dollar that Volunteer Legal Services Hawaii receives, except for gifts and donations, not just net income after expenses. Volunteer Legal Services Hawaii would have to pay even if it lost money.

In this very difficult economic climate Volunteer Legal Services Hawaii has already lost 33% of its revenues from all sources and is dealing with significant increases in costs. While we have managed to remain in operations, further increases in our costs will be harmful.

Repealing the non-profit exemption from the Gross Excise Tax (GET) would have a very damaging impact on VLSH's ability to operate. For example, not being exempt from the GET means that all grant and contract proposals would pass on to the funder – INCLUDING GOVERNMENT FUNDERS – the cost of the GET. Increased costs to the funder at this time means that services will be reduced and if services are reduced then the benefit of these services are reduced and again the COST TO GOVERNMENT is increased.

For these reasons Volunteer Legal Services Hawaii OPPOSES H.B. 2878.



what matters.™



PARENTS AND CHILDREN TOGETHER

A Family Service Agency

1485 Linapuni Street, Suite 105
Honolulu, Hawai'i 96819
Tel. (808) 847-3285
Fax (808) 841-1485

OAHU PROGRAMS

- COMMUNITY TEEN CENTER
- CPS VISITATION CENTERS
- EARLY HEAD START/
HEAD START
- ECONOMIC DEVELOPMENT
CENTER
- FAMILY PEACE CENTER
- FAMILY VISITATION CENTER
- HANA LIKE HOME
VISITOR PROGRAM
- INTENSIVE SUPPORT SERVICES
- THE COMMUNITY
FAMILY CENTER
- KPT FAMILY CENTER
- LEHUA TRANSITIONAL SHELTER
- OHIA - DOMESTIC VIOLENCE
SHELTER
- RESPIRE CARE

MAUI COUNTY PROGRAMS

- FAMILY PEACE CENTER
- INTENSIVE SUPPORT SERVICES
- LANAI INTEGRATED SERVICES

KAUAI COUNTY PROGRAMS

- FAMILY VISITATION CENTER
- INTENSIVE SUPPORT SERVICES

HAWAII ISLAND PROGRAM

- KEONEPOKO PRE-PLUS CHILD CARE

MEMBER:

- CWLA
- ALOHA UNITED WAY
- COA

TO: Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair
House Committee on Finance

FROM: Haaheo Mansfield
Vice President of Programs
Parents And Children Together

RE: In Opposition to HB 2878, Relating to Taxation

My name is Haaheo Mansfield. I serve as the Vice President of Programs at Parents And Children Together. PACT is one of Hawaii's leading not-for-profit human service providers, with 14 programs statewide providing services to over 18,000 consumers annually. As an employee of a not-for-profit and as a citizen, I strongly urge you to oppose the passage of HB 2878.

Although we are desperately struggling to free ourselves from the after effects of near financial collapse, we must avoid the temptation of quick easy fixes. Yes, we must cover our budget shortfalls, but we must do so without compromising the values that built Hawaii, those values that set our State apart from all the rest. A balanced budget without the integrity of a people's future is simply a budget void of vision. What inspired our people to prosper and grow as a State are the commonly accepted notions of hard work, sacrifice and sharing. Some of us refer to that as *Aloha*, others as *Achocho* (Chuukese), *Alofa* (Samoan), or *Matiisin at masipag* (Tagalog).

Not-for-profits have historically been the bearers of the "Value Torch". Through advocacy and great sacrifice, we have been the ones to ensure that the greater social good is always at the forefront of public policy. We have proven we can provide an array of social services to the public cheaper and more efficiently than government. We are the government's partner in ensuring the citizens of Hawaii their fair share of the public wealth.

Not-for-profits are able to carry out our respective missions in a cost effective way because of the tax exempt status currently in statute. If we are forced to pay taxes on income, be it from donations or government contracts, etc., we will lose our ability to cost effectively conduct our business.

Should that occur, we will not be able to respond to the overwhelming requests for assistance from those who are hungry, homeless, unemployed. The list is growing as the sharp edge of this economic crisis continues to hack away at our very foundations.

Not-for-profits do not have profit margins to fall back on. The passage of HB 2887 will mean that even if we are losing money, which for many of us is the norm, we will have to pay taxes. HB 2887 would strip away our status as a partner of government, doing the people's work. Who will step forward to do this work? That is the question left unanswered by HB 2887.

Thank you for the opportunity to submit testimony in opposition to HB 2887.



HONOLULU SYMPHONY

875 Waimanu Street, Suite 614 · Honolulu, HI 96813 · Tel (808) 524-0815 · Fax (808) 589-2667

**Board of Directors
Honolulu Symphony Society**

February 16, 2010

Officers

Peter Shaindlin
Chairman

Kimberly Miyazawa-Frank
First Vice-Chair

Glenn Inouye
Second Vice-Chair

Mikio Sato
Treasurer

Richard Lachmann
Secretary

Directors

Dianne Winter Brookins
Mike Ching
Uli Cutter
Howard Dicus
Pamela Eliashof
Nancy Grekin
Gilad Janklowicz
Marie Laderta
Aaron Mahi
Sharon McPhee
Jeffery Minter
Henry Montgomery
Valerie Ossipoff
Alex Pickens
Wayne Pitluck
Kelly Sanders
Patricia Takemoto
Bennett Wo

Musician's Representatives

Steve Dinion
Geoffrey Stone

Ex Officio

Shelley Kaya
Leslie Moore
Co-Presidents,
Honolulu Symphony Associates

Honorary

Senator Daniel K. Inouye,
Honorary Chairman

Laird Hamilton
Marcia Gay Harden
Jim Nabors

Executive Director

Majken Mechling

Representative Marcus R. Oshiro, Chair
Committee on Finance
House of Representatives
State of Hawaii

Dear Representative Oshiro:

I would like to take this opportunity to express my strong opposition to House Bill 2878, a bill that would end the Hawaii general excise exemption for nonprofit organizations, among others, which is scheduled to be heard by the House Finance Committee at 4:30 p.m. on Wednesday, Feb. 17, in conference room 308 at the State Capitol.

Nonprofit revenues, with the exception of gifts and donations, would become taxable under the proposed measure. Even membership dues and service fees would be taxed.

Here are some points that need serious consideration to ensure that this bill will not be passed:

- The Hawaii GET is a gross receipts tax, which means it would tap every dollar a nonprofit receives, except for gifts and donations, not just net income after expenses. Nonprofits would have to pay even if they are money.
- Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish, such as caring for the mentally ill, providing afterschool services and a cadre of other critical infrastructure services throughout the state. Nonprofits are able to provide these services more economically and efficiently than the state, but taxing them would add tremendously to their costs.

Even nonprofit schools, which reduce state spending on education, would pay.

- This far-reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, and child and elderly care.

We ask that you and the members of the House Finance Committee seriously look at the economic impact that this bill would have on our community and the residents of our state who are utilizing the services of non profit organizations at an ever increasing and alarming rate. Balancing the state budget at the expense of the services being provided by non profit organizations will only serve to worsen an already stretch sector of our community that continues to provide above and beyond in one of the nations most difficult economic times.

Mahalo for your time and consideration,

Majken Mechling, Executive Director



Wednesday, February 17, 2010

To : House Committee on Finance
Marcus R. Oshiro, Chair
Marilyn B. Lee, Vice Chair

From : Rochelle Lee Gregson, CEO
The Honolulu Board of REALTORS (HBR)

Subject: HB 2878 RELATING TO TAXATION

Thank you for accepting testimony regarding HB 2878.

I understand that the effect of this bill's passage would be a general excise tax charge on non-profit revenues including membership dues, education and other service fees.

Currently, the largest source of revenue for HBR is membership dues which offset the costs that are required in order to maintain one's license. In addition, a combination of dues and volunteer time go to cover the cost the enforcing the REALTOR Code of Ethics which is oriented to dealing with consumer concerns.

The Code is a set of rules for the conduct of real estate transactions that serves as a criterion of excellence as well as constituting a realistic standard of performance. The process of enforcing the Code is conducted by well trained REALTORS skilled in mediation, arbitration, and grievance handling. Consumers with complaints arising out of a transaction, bring their issues to the HBR for resolution at no cost to them.

With dues revenue, HBR is also able to help offset the cost of maintaining REALTOR licenses by offering credited educational programs throughout the year. The State of Hawaii requires that certain courses and credits be completed each year as a licensing requirement. The HBR and its Neighbor Island Associations make these programs available on a regular basis to ensure compliance. The revenue we are able to generate through dues helps to offset the cost of these programs.

The Honolulu Board of REALTORS exists because its REALTOR members believe in service to the public and willingly put their dues dollars behind this philosophy.

Thank you.



February 16, 2010

Chair Marcus Oshiro
House Finance Committee
Hawaii State House of Representatives
State Capitol, Room 308
Honolulu, HI 96813

RE: HB 2878, Relating to Taxation

Dear Chair Oshiro, Vice-Chair Lee and members of the House Finance Committee:

The Hawai'i Alliance of Nonprofit Organizations, a statewide professional association working to support Hawaii nonprofits, staunchly opposes HB 2878, which repeals the general excise tax exemption for non-religious charitable organizations.

Nonprofits are already reeling from the impacts of state budget cuts. They have been expected to find alternative ways to sustain their operations and deliver critical safety net and social welfare services. **Many of these organizations look to other revenue sources to offset these losses in the form of earned income, fundraisers and membership drives, but will be further hindered by general excise tax obligations under this proposed bill.**

Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish. Nonprofits are able to provide these services more cost-effectively than the state, but taxing them would add tremendously to their costs, resulting in a cutback to services.

This far-reaching bill would have dire implications on all types of nonprofits—health and human services, environmental groups, arts and culture organizations, private schools, civic and think tank groups, intermediary associations, and many more. This, at a time when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, child and elderly care. **The costs will come back to the state full circle, two-fold in the form of more expensive crisis response services, as a result of this taxation of the nonprofit sector.**

The public wants their charitable contributions to go for community services, not taxes. Taxing these organizations has the effect of discouraging giving and volunteering. Our community needs more of what these organizations and volunteers do, not less.

We strongly oppose this measure and ask you to hold this bill. Thank you for the opportunity to provide testimony.

Lisa Maruyama
President and CEO

Testimony of
Frank P. Richardson
Vice President and Regional Counsel

Before:
House Committee on Finance
The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair

February 17, 2010
4:30 P.M.
Conference Room 308

HB 2878**RELATING TO TAXATION**

Chair Oshiro, and committee members, thank you for this opportunity to provide testimony on HB 2878 which would repeal exemptions from the payment of Hawaii General Excise Tax now granted to certain charitable organizations and hospitals, among others.

Kaiser Permanente Hawaii opposes this bill.

Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals are Section 501(c)(3) federally tax exempt, charitable organizations that will be impacted by the passage of this bill.

The cost of delivering health care in Hawaii and across the nation continues to mount. To the extent this measure would repeal excise tax exemptions applicable to Kaiser, this measure will only add to that cost. The burden of an excise tax such as this one would be passed on to health plan purchasers and consumers, driving up the overall cost of healthcare to those purchasers and to the state.

Additionally, as a 501(c)(3) federally tax exempt, charitable organization, Kaiser provides millions of dollars in free care, subsidized care, grants, health education, and programs for safety net organizations within the State of Hawaii. Removing the exemption from the excise tax provided by section 237-23 and 237-24.3 HRS would be an unfortunate precedent setting erosion of Kaiser's tax exempt status, inconsistent with its public benefit social mission.

In short, repeal of Kaiser's general excise and use tax exemptions would be bad for the business community, bad for the public, and bad for the cost of healthcare in the State of Hawaii.

Thank you for your consideration.



HOUSE OF REPRESENTATIVES
25th LEGISLATURE
REGULAR SESSION of 2010

COMMITTEE ON FINANCE
Representative Marcus Oshiro, Chair

2/16/10
4:30 PM – Room 308

HB 2878
Relating to Transient Accommodation Tax (TAT)

My name is Max J Sword, here on behalf of Outrigger Hotels, to speak in support of this bill.

The portion of the bill we support is on page 62, relating to Act 239 (SLH 2007) & Act 196 (SLH 2009). This portion of the bill removes the sunset date of Act 196.

This section grants a tax exemption on employee's wages and benefits, when a management companies receives funds to pay its employees, from the owner of a property. The funds are a pass thru expense.

This section is important to the industry, especially local management companies, because it levels the playing field when it comes to managing a hotel, timeshare or a condo-tel.

It allows local companies, like Outrigger to get contracts, such as our arrangement with Wyndam Timeshares and Embassy Suites at our Waikiki Beachwalk project.

Mahalo for considering my testimony and we urge your support of this bill.

THE CHAMBER OF COMMERCE OF HAWAII
1132 Bishop Street, Suite 402
Honolulu, HI 96813

Testimony to the House Committee on Finance
Wednesday, February 17, 2010
4:30 PM
Conference Room 308
Agenda #3

RE: HOUSE BILL NO. 2878, RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and members of the committee.

My name is Charles Ota and I am the Vice President for Military Affairs at The Chamber of Commerce of Hawaii (The Chamber). I am here to state The Chamber's support of the intent of House Bill 2878, Relating To Taxation, **with expressed reservations relative to SECTIONS 24, 31, and 32 regarding its possible negative impacts on jobs, quality of life for low-income families, and tax revenues.**

The Chamber's Military Affairs Council (MAC) serves as the liaison for the state in matters relating to the US military and its civilian workforce and families, and has provided oversight for the state's multi-billion dollar defense industry since 1985.

The measure proposes to repeal certain exemptions under the general excise, use, and public service company taxes. The act is to take effect on July 1, 2010 and sunsets on June 30 2015.

We share the concerns of the state on the continuing declines being reported in state tax revenues. The budget deficit is unprecedented and has placed the state in a precarious financial condition where drastic measures may have to be taken.

We would like to note that Hawaii's defense industry has had significant impact in providing some stability to Hawaii's economy. Military spending

continues at a good pace, stimulating jobs for the workforce and providing contracts for hundreds of small businesses. It behooves the state to encourage increased defense spending in support of Hawaii's small businesses and workforce.

While we agree that measures must be taken to balance the state budget, we believe that our concerns on the following three SECTIONS merit your consideration:

1. SECTION 24 and SECTION 32, regarding the repeal of Section 201H-36, HRS, which provides exemptions for government assisted and other similar projects that provided for low-income housing. This provision serves as the catalyst in providing for low income housing in Hawaii. We believe that a repeal of this provision could result in serious consequences in providing adequate planning for a large segment of our community. Affordable housing continues to be a quality of life concern not only for Hawaii residents but to a large number of military members who qualify as well. This impacts not only the quality of life for an important segment of our community, but with revenues for small businesses, jobs for residents, and tax revenues from businesses and employed residents.
2. SECTION 31 regarding the repeal of Section 237-28.1, which provided an exemption for certain ship building and ship repair businesses. Hawaii is an island state that must rely on maritime shipping for its basic and survival needs, making the ship repair industry a vital part of our business sector. Global competition from lower cost ship repair businesses from as far away as China has had significant impact on Hawaii's ship repair businesses. Taking away this exemption will be an added burden in sustaining the remains of the ship repair industry. Currently, the exemption has enabled our ship repair businesses to compete favorably for defense contracts offered by the US Navy. A repeal of this exemption will force the Navy to seek other contractors on the West Coast as opposed to awarding contracts to local businesses that are fully qualified and capable. The question here is whether the state desires to force the Navy to seek contractors on the West Coast and cause irreparable damage to Hawaii's ship repair businesses.

We believe it important to consider that the above repeals of tax exemptions could result in the **loss of jobs** for our workforce, have an **unfavorable impact on the quality of life** for an important segment of Hawaii's community, and result in the subsequent **loss of state tax revenues** from job losses, business revenues, and individual earnings.

For these reasons, we respectfully request that the committee reconsider the actions proposed for SECTIONS 24, 31, AND 32 of the proposed measure

Thank you for the opportunity to testify.



February 17, 2010

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
Members of the House Committee on Finance
State Capitol, Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

Subject: HB 2877 HD1 and HB 2878; Hearing February 17, 2010 at 4:30 P.M.; Testimony in Opposition

Dear Chair Oshiro and Members of the House Committee on Finance:

Thank you for this opportunity to submit our testimony in opposition to HB 2877 HD1 and HB 2878. Both bills address the GET exemption for qualified low income rental housing projects. EAH Housing is a non-profit public benefit corporation dedicated to developing, managing, promoting and preserving affordable rental housing.

The GET exemption provided to qualified low income rental housing is a critical component in the economic feasibility of new developments and in the ability of existing developments to meet their loans and operational commitments. The GET exemption applies to rent only. If the property charges for parking or gets income from a centralized laundry or vending machines then GET is paid on that income. Each property must apply and be qualified for the exemption on an annual basis.

Our state has a critical shortfall of affordable rental housing. The GET exemption helps to encourage the production and preservation of as many affordable rental units as possible. EAH Housing strongly opposes HB 2877 HD 1, which would suspend the GET exemption from July 1, 2010 through June 30, 2015, and HB 2878 which proposes to repeal the GET exemption for the same time period.

Any repeal or suspension of the GET exemption is going to make the development and preservation of affordable rental housing, an already difficult task in the best of times, much more difficult in a financial environment with limited capital available.

Sincerely,

Kevin R. Carney, (PB)
Vice President, Hawaii



Ship Repair Association of Hawaii

P.O. BOX 29001, Honolulu HI 96820
Ph# (808) 848-6211 Fax# (808) 848-6279

Representative Marcus Oshiro, Chair
Committee on Finance
House of Representatives, Twenty-Fifth Legislature
Hawaii State Capitol, Conference Room 308
415 South Beretania Street
Honolulu, HI 96813
fax 808-586-6001
E-mail <http://www.capitol.hawaii.gov/emailtestimony>

February 17, 2010

Dear Representative Oshiro:

This letter is written and submitted to the State House Committee on Finance, on behalf of the Ship Repair Association of Hawaii (SRAH), regarding House Bill 2878.

The Ship Repair Association of Hawaii is opposed to House Bill 2878, Section 31, which states:

SECTION 31. Section 237-28.1, Hawaii Revised Statutes, is repealed. [Section cited immediately below stricken in its entirety.]

[" [S237 28.1] Exemption of certain shipbuilding and ship repair business. There shall be exempted from, and excluded from the measure of, the taxes imposed by this chapter all of the gross proceeds arising from shipbuilding and ship repairs rendered to surface vessels federally owned or engaged in interstate or international trade. "]

The General Excise Tax (GET) exemption now afforded the Hawaii shipbuilding and ship repair industry would be entirely repealed on July 1, 2010 and remain so through June 30, 2015 were this bill to make it through the Legislature and be signed into law.

If the GET is applied to ship repairs to surface vessels in Hawaii, companies with local Hawaii offices would shoulder substantial added costs, eroding our ability to secure work on vessels which may readily be bid to repair at lower prices elsewhere (U.S. mainland or foreign repair locations). This unintended consequence would not only deprive the state of any tax revenue (from the absented vessels/projects), but would compound the state's loss through the impact on businesses' and employees' tax base components. There is also concern that at least some non-resident companies who perform work here without a

Member Firms

ASEC LLC Airgas Gaspro American Industrial Insulation Anawati & Associates Arise Waco Scaffolding BAE Hawaii Shipyards C&S Services
Dresser-Rand Hawaii Marine Cleaning HSI - Electric Boat HSI Mechanical, Inc. Kratos Defense & Security Solutions
Marisco, Ltd. Pacific Shipyards International Phoenix International Potter Electric, Inc. Propulsion Controls Engineering Hawaii, LLC
Q.E.D. Systems, Inc ThussenKrupp Safway, Inc. UTS Maritime Services

Committee on Finance
 House of Representatives, Twenty-Fifth Legislature
 House Bill 2878
 February 17, 2010
 Page 2

Hawaii address could continue to avoid paying the state GET, unfairly compounding other advantages they may already hold in competing against local companies.

Please understand that shipbuilding and repair is an industry competing more and more with a global market. In the current economic recession, that competition is exacerbated. Hawaii's ship repair companies' costs must continue to be held as low as possible, to compete with off-island repair entities – a difficult challenge to our island economy in a fragile economic period.

It is worthy to note that the U.S. Navy is pressing through intense necessity, to reduce ship repair costs for work conducted on U.S. Navy ships, including those home ported in Pearl Harbor. To that end, the Navy instituted the Multi-Ship Multi-Option (MSMO) contracting concept to consolidate commercially contracted Pearl Harbor surface ship repairs under central (prime contractor) management, with a principal goal of improving the cost effectiveness of ship maintenance.

As a near term example of the substantially undermining effect a repeal of the GET exemption would have on our industry in Hawaii: SRAH and MSMO contractors are working to maintain the Navy's commitment to conduct two significant Navy Aegis (TICONDEROGA Class) Cruiser modernizations and upgrades here in Pearl Harbor, beginning in early 2011. If the Navy is required to pay the GET for these projects, which are anticipated to produce revenues of \$30M - \$40M each, the added cost to the Navy (on the order of \$2M each) would constitute an exceptionally persuasive element tending to tip the balance in favor of relocation of these maintenance availabilities -- and other significant ship repair availabilities planned to take place over the next five years - to the West Coast of the U.S. As a result, our local industry stands to lose a substantial, perhaps crippling, portion of our anticipated business in the upcoming years. Our association makes approximately \$90-100M in annual revenue from government contracted ship and repair facility installations and maintenance in and around Pearl Harbor.

Regarding smaller, non-federal commercial projects, the imposition of GET would similarly add significant dollars to every waterfront customer's costs, and in turn, erode our (SRAH's) ability to bid competitive prices for our own state's commercial vessel repairs. For example, a \$1M repair project for a local cargo ship or barge would derive additional GET-driven costs of \$50K+ added to the customer's bill; an amount of sufficient magnitude to drive customers toward electing to conduct such repairs in locations other than Hawaii, depriving our industry – and the state's revenue – of their business on those projects altogether.

As noted above, the shipbuilding and repair industry operates in a global market, in a challenging economic recession. In addition to maintaining our GET exemption for

Member Firms

MSEC LLC Airgas Gaspro American Industrial Insulation Anawati & Associates Arise Waco Scaffolding BAE Hawaii Shipyards C&S Services
 Dresser-Rand Hawaii Marine Cleaning HSI – Electric Boat HSI Mechanical, Inc. Kratos Defense & Security Solutions
 Marisco, Ltd. Pacific Shipyards International Phecnix International Potter Electric, Inc. Propulsion Controls Engineering Hawaii, LLC
 Q.E.D. Systems, Inc ThussenKrupp Safway, Inc. UTS Maritime Services

Committee on Finance
 House of Representatives, Twenty-Fifth Legislature
 House Bill 2878
 February 17, 2010
 Page 3

vessel repairs, unless Jones Act type protections are stiffened, our Hawaii ship repair companies face fierce competition from relatively nearby Asian competitors.

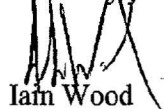
Additional unintended consequences of passing HB 2878 as proposed would include erosive effects on our state's tax base itself. To begin with, SRAH companies' employee wages appreciably support Hawaii families, who pay income taxes. Our association's members include approximately 700-800 employees locally. Additionally, our suppliers and vendors employ 1800-2000. Most Hawaii companies engaged in ship repair do other critical service, manufacturing and repair work in the economy as well. We all pay GET related to that non-ship repair work. Many of our companies would not be as productive on-island without the synergy realized from our ship-related industrial activities – some could in fact be threatened with failure in a difficult economy, by impacting our ship repair sectors of business. This is an important aspect of the existing Hawaii ship repair tax exemption: it supports the sustainment of other beneficial (and taxed) Hawaii industries, including facilities electrical work, structural steel work, electronics, etc. Damage to the health of the ship repair sectors of our businesses could impart transitive negative effects to broader areas of the Hawaii business community and tax base.

Our association is mindful of the broad economic challenges facing our state, including the severity of revenue shortfalls being carefully reviewed by this committee. We are in fact supportive of the intent, at least, of HB 2877, slated for review in the same session as HB 2878. The adverse impact of HB 2877 to our industry, though measurable, would be significantly less substantial and therefore less likely to cause deep and potentially irreparable damage to our industry, and in turn, to our island economy.

The exemption we cite is crucial to the proper and healthy diversification of Hawaii's workforce, our technological engagement and our business interests, to successfully sustain our state through varying economic and operational environments. It would be imprudent to impose a substantially negative impact on our industry, with the precarious nature of the economic outlook.

When House Bill 2878 is reviewed by your committee, please review the above listed considerations and strike the section that would repeal the GET exemption for the Hawaii ship building and repair industry.

Sincerely yours,



Iain Wood
 President
 Ship Repair Association of Hawaii

Member Firms

.MSEC LLC Airgas Gaspro American Industrial Insulation Anawati & Associates Arise Waco Scaffolding BAE Hawaii Shipyards C&S Services
 Dresser-Rand Hawaii Marine Cleaning HSI - Electric Boat HSI Mechanical, Inc. Kratos Defense & Security Solutions
 Marisco, Ltd. Pacific Shipyards International Phoenix International Potter Electric, Inc. Propulsion Controls Engineering Hawaii, LLC
 Q.E.D. Systems, Inc ThussenKrupp Safway, Inc. UTS Maritime Services



1101 Vermont Avenue NW | Suite 1002
Washington, DC 20005
202.962.0322
www.councilofnonprofits.org

February 17, 2010

Chair Marcus Oshiro
House Finance Committee
Hawai'i State House of Representatives
State Capitol, Room 308
Honolulu, HI 96813

RE: HB 2878, Relating to Taxation

Dear Chair Oshiro, Vice-Chair Lee and members of the House Finance Committee:

As President of the National Council of Nonprofits based in Washington, DC, I am writing to express strong opposition to H.B. 2878 and to urge the Finance Committee to work with the nonprofit community in Hawai'i to develop budget and revenue solutions that will benefit the state and all of its citizens.

The National Council of Nonprofits, the nation's largest nonprofit network with more than 22,000 member organizations across the country, advances the vital role and capacity of the nonprofit sector. The National Council works through its network of state and regional nonprofit associations, including the Hawai'i Alliance of Nonprofit Organizations (HANO), to amplify the collective voice of America's small and midsize community-based nonprofit organizations, helping them manage and lead more effectively, collaborate and exchange solutions, engage in critical policy issues affecting the sector, and achieve greater impact in their communities.

H.B. 2878 presents matters of such national significance that the nonprofit community throughout the United States is taking great interest. At the outset, however, we want to make clear that nonprofits do not reject all changes to the status quo whenever revenue measures are proposed. Quite the contrary, the nonprofit community is at the forefront of addressing budget concerns that affect the communities we serve. We are committed to working with this Committee, the Legislature, as well as the federal government to consider where resources should and should not be spent and where government revenue should be raised. While recognizing your budgetary pressures, we must oppose H.B. 2878 because of its severe, adverse impact on the people nonprofits serve and on the communities in which they operate.

Nonprofit organizations in Hawai'i and elsewhere contribute significantly to their local economies through the wages and payroll taxes they pay. Nationwide, nonprofit organizations employ almost 13 million workers, or 9.7 percent of the total U.S. workforce, and account for 8.1 percent of wages paid in the country. According to data from HANO, the nonprofit sector in Hawai'i employs 48,000 individuals and pays \$1.45 billion in wages annually.

These organizations and their employees are committed to the public good and accomplish their work in communities in cooperation with government. Many programs, such as those addressing human needs, are conducted as contractors or grantees on behalf of local and state governments. If these nonprofits are not exempt from the General Excise Tax, as would be the case under H.B. 2878, government money would be used to pay government taxes. Further, paying the General Excise Tax would reduce the amount that nonprofits can spend to deliver program services to the people of Hawai'i and further limit the number of jobs nonprofits create.

It must be recognized that the economic downturn has already reduced revenue for nonprofits and caused a substantial increase in the demand for the essential services that they provide. This legislation will only serve to further erode the social safety net at a time when it is stretched desperately thin and needed more than ever. We believe that because institutions of purely public charity contribute to the common good and lessen the burden of government, the historic policy of exempting these institutions from taxation should be continued. We ask that the Finance Committee reject H.B. 2878 and work with the nonprofit community to develop solutions to the state's budget problems.

Respectfully,

A handwritten signature in black ink, appearing to read 'Tim Delaney', with a large, stylized flourish at the end.

Tim Delaney
President and CEO



Kupu

A Hawai'i-Based 501(c)(3) Non-Profit Organization
3569 Harding Ave, Unit C
Honolulu, HI. 96816
Phone: (808)735-1221 Fax: (808)735-1223

I am writing on behalf of Kupu, to oppose HB2878. Ending the Hawaii general excise exemption would have dire implications for many non-profit organizations throughout the state. Kupu, a Federal 501c3 that manages the Hawaii Youth Conservation Corps programs (HYCC), is one of those non-profits that would suffer should this bill be passed. Nonprofits are tax-exempt because they provide a social good that government would otherwise not furnish. Nonprofits are able to provide these services more economically and efficiently than the State, but taxing them would add tremendously to their costs, and severely hurt the programs/services they are able to provide.

The HYCC programs provide jobs and job skills for the youth in Hawaii, which is one of the hardest hit groups by unemployment. Every year the HYCC programs offer 27 full time positions and close to 300 short term positions. This year Kupu, in partnership with DLNR, was able to provide an additional 45 full time positions through the American Recovery and Reinvestment Act funds. The positions offered through the HYCC programs give youth and young adults the opportunity to pursue an interest in conservation work, and gain entry level, hands on experience in the conservation field. In 2009 the HYCC programs provided a net benefit of over 2.8 million dollars to the community and the programs participants. This includes over \$780,000 in stipends, and over \$250,000 in educational awards provided through HYCC's AmeriCorps programs. The passing of this bill, would not only limit those benefits for future participants, but would greatly affect the number of youth that the HYCC programs are able to reach.

The HYCC programs offer youth and young adults the opportunity to learn vital life skills and lessons, while getting them involved in their communities. Participants are also taught the importance of preserving Hawaii's many ecosystems by seeing the many problems that are affecting the islands. HYCC participants are given the unique chance to see some of Hawaii's most beautiful places, that are in great need, including Kaho'olawe, and are shown how they can have a hand in their restoration. For the 2009 HYCC summer programs, Kupu received close to 500 applications for 150 available positions. For the upcoming 2010 summer programs Kupu

has already received 580 applications for the available 150 positions, and the application deadline is still open until the end February.

This bill would have far-reaching consequences for non-profit organizations, such as Kupu that rely on the general excise exemption to fund programs that provide such an important benefit to the community and its members. In today's economy, with donations, grants and contracts being cut, and unemployment surging, the passing of HB2878 would greatly hinder many non-profit organizations ability to run successful programs. Over the years the need and demand for HYCC's programs has greatly increased, and Kupu will be unable to answer this ever growing demand if even more of its funding is taken away. I urge you to think about the long lasting consequences the passing of HB2878 would have, and vote against taking much needed money away from non-profit organizations that have such a positive impact on Hawaii. For more information on Kupu or the Hawaii Youth Conservation Corps Programs contact John Leong at: (808)735-1221 ext. 1001 or john.leong@kupuhawaii.org.

Mahalo!



Joy of Christ
"the welcome place!"

JOY OF CHRIST LUTHERAN CHURCH

784 Kamehameha Hwy. Pearl City, HI 96782 Tel: 808-455-1138 Fax: 808-456-2369
E-mail: joynews@hawaii.rr.com Web Site: <http://joyofchrist.net>

February 14, 2010

Rev. Ruth Peterson
Pastor

Diane Taketa
Office Manager

2010 Church Council

Jon Nicholson
President

Dana Westphalen
Treasurer

Cindy Tamayo

Lloyd Puckett

Mike Sullivan

Dick Boddy

The Honorable Marcus R. Oshiro
Chair, House Committee on Finance
Hawaii State Capitol, Room 308
415 South Beretania Street
Honolulu, HI 96813

RE: House Bills 2877 & 2878 - Taxing Fraternal Benefit Societies

Dear Representative Oshiro:

I am writing to respectfully request that you support my ability to continue to make a difference in my local community.

I am a member of Thrivent Financial for Lutherans, a fraternal benefit society active here in Hawaii. I volunteer along with other Thrivent members in my state chapter. In 2008 alone, we dedicated more than 18,000 volunteer hours to help raise and contribute more than \$155,000 dollars to help meet local needs.

For instance, our outreach program, Operation Backpack, has been able to supply much needed food, clothing, and other items to the homeless, elderly on low income and those at risk for homelessness has benefited from funds from Thrivent Financial for Lutherans.

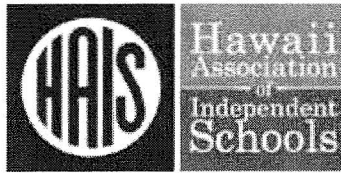
I recently learned that House Bills 2877 and 2878 would impose the general excise tax on fraternal benefit societies like Thrivent. Thrivent uses the benefits of its current tax exemption to fund our state chapter and the programs that members like me use to make a difference in our communities. Imposing the general excise tax will directly threaten my chapter's ability to continue our volunteer outreach efforts.

Please work to support fraternal volunteers like me and our efforts in Hawaii by opposing legislation to impose the general excise tax on fraternal benefit societies.

Sincerely,

Rev. Ruth M. Peterson

Rev. Ruth M. Peterson
Pastor



February 17, 2010
4:30 p.m.
Conference Room 308

TESTIMONY TO
THE HOUSE COMMITTEE ON FINANCE

RE: HB 2878 – Relating to Taxation

Dear Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Robert Witt and I am executive director of the Hawaii Association of Independent Schools (HAIS), which represents 99 private and independent schools in Hawaii and educates over 33,000 elementary and secondary students statewide.

The Association **strongly opposes House Bill 2878 – Relating to Taxation**, which would repeal the general excise tax exemption for Hawaii nonprofit organizations and schools other than religious organizations.

In challenging economic times such as these, when the State is required to make steep budget cuts in all areas, the social and economic value of nonprofits is all the more apparent. By serving the general population in ways the State cannot and via the support of private dollars, nonprofits and the programs and services they provide to our communities are more critical than ever.

The proposed increase in operating costs for our schools will force tuition increases. All of our schools have been striving mightily this past year to maintain the cohesiveness of their school communities. To do so, already high levels of need-based tuition assistance have been magnified; tuition and fees have been intentionally kept as low as possible.

Our schools are affordable, accessible and diverse. In addition to serving families from all walks of life, our schools employ many thousands of faculty and staff, reduce State tax expenditures by providing a service the State would otherwise have to provide (annual savings = approx. \$350 million), and over the past decade have made capital expenditures of more than \$750 million for campus construction and renovations, a boon to our construction industry. With these few examples, it is evident that our private schools are already contributing to the well-being of our community and are doing so with faculty and staff that are paid less than their counterparts in the public schools.

Imposing a general excise tax on private schools would have a chilling effect on all of the good presently emanating from our private and independent schools. Any additional financial burden on the very fragile social and financial eco-system of HAIS schools would be disruptive to families, students, teachers, staff and to the public good.

Mahalo for the opportunity to testify in strong opposition to this measure.



HO'OLA LĀHUI HAWAI'I
P.O. Box 3990; Līhu'e, Hawai'i
Phone: 808.240.0100 Fax: 808.246.9551

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair

Rep. Marilyn B. Lee, Vice Chair

Testimony in OPPOSITION to HB 2878
Relating to Taxation

February 17, 2010 4:30 p.m. Agenda, Room 308

Submitted by: David Peters, Chief Executive Officer

Ho`ola Lahui Hawai`i strongly OPPOSES HB 2878.

- Non-profit organizations have long enjoyed the exemption from taxation as a way to assist them in providing more services to those most in need.
- Eliminating the exemption under HB 2878 even for a short period only serves to hamper the ability of non-profit organizations to deliver care to the underserved.
- Taking away funding that supports the safety net in poor economic times will only serve to hurt those who need it the most.
- Many non-profits struggle to meet the growing demands to keep the doors open let alone add the burden of paying taxes on helping the poor.
- If implemented this bill will force organizations such as ours to eliminate services and jobs. Eliminating jobs only lowers the tax revenues meaning that this bill would have little or no effect on increasing state revenues. Eliminating services only means that fewer people will be healthy enough to get a job which leads to fewer tax dollars being collected.

Please keep the current exemption in place for non-profits that serve a charitable purpose.

**HB 2878
RELATING TO TAXATION
(Agenda Four)**

**KEN HIRAKI
VICE PRESIDENT – GOVERNMENT & COMMUNITY AFFAIRS
HAWAIIAN TELCOM
FEBRUARY 17, 2010**

Chair Oshiro and Members of the Finance Committee:

I am Ken Hiraki, testifying on behalf of Hawaiian Telcom on HB 2878, "Relating to Taxation." Hawaiian Telcom opposes provisions of this measure.

HB 2878 establishes the repeal of numerous tax credits and exemptions beginning on July 1, 2010 with a sunset on June 30, 2015. While recognizing the need to address the current budget shortfall, repeals of the scope as is being proposed in this measure must be approached very cautiously so both lawmakers and the public are fully informed of the negative financial and social consequences that will likely follow.

Hawaiian Telcom specifically opposes language repealing Section 239-6.5, Hawaii Revised Statutes (page 82, lines 9-20), which provides a tax credit for lifeline telephone service. Responding to the growing problem of "shut-ins", the Legislature in 1986 established the lifeline telephone program to provide discount telephone rates to those who are either physically disabled or seniors with annual household income below \$10,000.

For many of those enrolled in the program, the landline telephone serves as the sole "lifeline" (especially in times of emergency or during an electrical power outage), connecting those who are disabled or seniors to their doctors, 911, or loved ones. There are currently over 3,000 lifeline beneficiaries enrolled statewide. If this program were eliminated, many will likely be forced to forego telephone service and may be left without any means of communication in case of emergency.

Based on the aforementioned, we respectfully request that HB 2878 be held in your committee. If, however, it is the intent of the committee to move this measure, we respectfully ask that the committee delete the specific provision related to Section 239-6.5, Tax Credit for Lifeline Telephone Service .

Thank you for the opportunity to testify on this measure.



KOKUA KALIHI VALLEY

Comprehensive Family Services

2239 North School Street, Honolulu, Hawaii 96819

Phone (808) 791-9400 ♦ Fax (808) 848-0979

House Committee on Finance

Rep. Marcus R. Oshiro, Chair

Rep. Marilyn B. Lee, Vice Chair

Testimony in Opposition of House Bill 2878
Relating to GET Tax Exemptions
Submitted by David Derauf, Executive Director
February 16, 2010

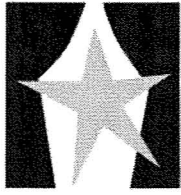
Kokua Kalihi Valley strongly opposes this measure which removes the GET tax exemption from non-profits.

Kokua Kalihi Valley has been committed to meeting the health needs of the residents of Kalihi Valley since 1972. Never in our nearly 40 year history have we faced a more challenging fiscal environment, with dramatically increasing demands for our services happening at precisely the same time as State and local support is drying up.

Asking us to pay GET taxes now, in an environment where our budgets are already precarious, is a recipe for disaster. The State is looking to community health centers like us to meet the needs of a growing population of uninsured, and those without access to culturally appropriate services. We can not simultaneously grow services and shoulder the burden of these taxes.

Tax exemption is provided to non-profits such as ourselves for the social good that we provide to our communities. We do so with proven efficiency and we also leverage our precious State resources with funding from the private sector, volunteerism and a dedicated work force. It makes no sense, no matter how severe the budget crisis to undermine the tremendous value that non-profits like KKV provide to Hawaii by taxing them to do so.

We urge you to block this measure. Thank you for this opportunity to testify in support of this very important bill.



Diamond
Head
Theatre

February 16, 2010

To Committee Members:

I am strongly opposed to HB2878, a bill that would end the Hawaii general excise exemption for nonprofit organizations.

The Hawaii GET is a gross receipts tax, which means it would tap *every* dollar your nonprofit receives, except for gifts and donations, not just net income after expenses. Nonprofits would have to pay even if they are losing money.

We cannot impose this hardship on nonprofits which are already reeling with effects of the economic downturn. Please reject this bill.

Sincerely,

Deena Dray

Deena Dray
Executive Director



HAWAII

National Association of Insurance and Financial Advisors -- Hawaii
Phone: 394-3451

House Committee on Finance
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

Date of Hearing: Wednesday, February 17, 2010 -- Agenda # 4

Time: 4:30 pm

RE: HB 2878 – Relating to Taxation

Chair Oshiro, Vice Chair Lee and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of insurance agents throughout Hawaii, who primarily sell life insurance, annuities, long term care and disability income policies.

HB 2878 will repeal exemptions for certain non profit organizations. We will limit our comments to Section 10 of the bill that will exempt gifts and donations to the various types of organizations listed.

NAIFA Hawaii is a 501(c)(6) – business league organization. We provide: educational programs to meet Hawaii State insurance licensing requirements and to maintain educational designations/credentials; participation in community service activities; leadership development; advocacy; member benefits; and consumer information on insurance products and issues.

We request a technical amendment to this measure on page 29 under 237-24, HRS, by adding membership dues to the exemption:

(5) Amounts received as a gift or donation, or as dues from members by a:

Our primary source of income is membership dues. Under the federal code our organization does not pay tax on its membership dues.

We appreciate the opportunity to offer our comments. Mahalo.

Cynthia Hayakawa Takenaka, Executive Director



The REALTOR® Building
1136 12th Avenue, Suite 220
Honolulu, Hawaii 96816

Phone: (808) 733-7060
Fax: (808) 737-4977
Neighbor Islands: (888) 737-9070
Email: har@hawaiiirealtors.com

February 16, 2010

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 2878 Relating to Taxation

HEARING: Wednesday, February 17, 2010 at 4:30 p.m.

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee:

I am Craig Hirai, the Chair of the Subcommittee on Affordable Housing, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,800 members in Hawai'i. HAR is **opposed** to the provisions in H.B. 2878 which repeal the General Excise Tax ("GET") exemptions for certified or approved housing projects under HRS §237-29.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program, which helps integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

Rental Housing Trust Fund projects qualify for and benefit from the GET exemption under HRS §237-29. Repealing this exemption will clearly reduce the amount of State funding available for desperately needed Rental Housing Trust Fund projects.

HAR believes that if H.B. 2878 passes in its current form (with the amendments proposed to HRS §46-15.1 in **Section 2**, the amendment to HRS §238-3(j) in **Section 16**, the repeal of HRS §201H-36 in **Section 24**, and the repeal of HRS §237-29 in **Section 32**), this measure will have the following adverse consequences with respect to existing Rental Housing Trust Fund projects:

1. The repeal of the GET exemption under HRS §237-29 will reduce the gross rents available for operating costs and debt service of hundreds of State and County approved rental housing projects throughout the State by at least 4% (4.5% in the City and County of Honolulu). This will almost certainly adversely affect the ability for projects to fund their operating and maintenance reserves. It also may impair the ability to service outstanding mortgage debts, or cause defaults under the same.



2. The cost of a construction contract for a project which has been certified or approved under HRS §237-29 will increase, because a previously exempt contractor will now be subject to GET. HAR therefore questions whether H.B. 2878 could impose a substantial and unreasonable impairment of an existing contract between the owner and the contractor, in violation of the Contract Clause (Article I, Section 10, Clause 1) of the U.S. Constitution.

For the reasons set forth above, HAR respectfully requests that the Committee amend H.B. 2878, by inserting language at the beginning of each of Sections 2, 16, 24 and 32 of to read as follows:

SECTION 2. Section 46.-15.1, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows; provided that the repeal of the tax exemption in subsection (a) shall not apply to those projects approved on or before the effective date of this Act:

SECTION 16. Section 238-3, Hawaii Revised Statutes, is amended to read as follows; provided that the amendment to subsection (j) shall not apply to those projects approved on or before the effective date of this Act:

SECTION 24. Section 201H-36, Hawaii Revised Statutes, is repealed; provided that the repeal shall not apply to those projects approved on or before the effective date of this Act:

SECTION 32. Section 237-29, Hawaii Revised Statutes, is repealed; provided that the repeal shall not apply to those projects approved on or before the effective date of this Act:

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.



100 Kahala Avenue
Miliama, Hawaii 96789-3997
P.O. Box 308900
Miliama, Hawaii 96789-8900
Oahu: (808) 548-4811 • Fax (808) 548-2980
Lana'i: (808) 565-3000 • Fax (808) 565-3312

Harry S. Saunders
President

Fax Submittal: 586-6001
Email Submittal: <http://www.capitol.hawaii.gov/emailtestimony>

Testimony by Harry Saunders
President, Castle & Cooke Hawai'i
February 16, 2010

Before the House **FINANCE** Committee

February 17, 2010
4:30 p.m.
Room 308

In Opposition to HB 2877 and HB 2878
RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee and Members of the House Finance Committee.

Castle & Cooke opposes both HB 2877 and HB 2878 as it relates to either the temporary suspension or repeal of certain GET exemptions as it applies to affordable housing.

As the developer of the State-HHFDC sponsored affordable housing programs (140% and below HUD AMI; for sale and low income rentals) and in satisfaction of other county affordable housing requirements (sale and rental programs), the GET exemption is a critical incentive in providing affordable housing. The GET exemptions allow us to:

1. Lower the overall costs of affordable housing
2. Initiate affordable housing projects when other market units may be suspended
3. Create indirect and direct jobs that general substantial payroll taxes and subsequent worker spending that more than offset the GET exemption

While we understand the economic crisis the State is facing in balancing the budget, we hope that affordable housing programs that can stimulate the economy will not be curtailed. It takes many financing components to develop an affordable housing project. Removal or reduction of any affordable financing program can negatively impact the viability of an affordable sale or rental project. For these reasons, we oppose HB 2877 and HB 2878.

Mahalo for your consideration of our testimony. If you have questions, please feel free to contact us:

Harry Saunders, President
Castle & Cooke Hawai'i
aktsukamoto@castlecooke.com
548-4884

Richard Mirikitani, Senior Vice President and Counsel
Castle & Cooke Hawai'i
rmirikitani@castlecooke.com
548-4890

Bruce Barrett, Executive Vice President – Residential Operations
Castle & Cooke Hawai'i
barrett@castlecooke.com
548-3746

Carleton Ching, Vice President – Community and Government Relations
Castle & Cooke Hawai'i
cching@castlecooke.com
548-3793



The REALTOR® Building
1136 12th Avenue, Suite 220
Honolulu, Hawaii 96816

Phone: (808) 733-7060
Fax: (808) 737-4977
Neighbor Islands: (888) 737-9070
Email: har@hawaiiirealtors.com

February 16, 2010

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 2878 Relating to Taxation

HEARING: Wednesday, February 17, 2010 at 4:30 p.m.

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee:

I am Nancy Donahue-Jones, Chief Executive Officer of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of its 8,800 members in Hawai'i. HAR **opposes** the provisions in H.B. 2878, **which repeals the GET exemption for "business leagues, chambers of commerce, boards of trade" under HRS §237-23(a)(5).**

H.B. 2878, in its current form, will subject association membership dues to the GET, based upon the proposal to repeal the tax exemption for "boards of trade" on pages 23-24. If a tax is imposed on membership dues, it will be passed on to HAR's members, and will ultimately increase the cost of doing business, when the industry is already suffering in these economic times. HAR, like many other trade organizations, is primarily a dues-dependent organization -- with the increase in taxes and reduced income to the organization, essential services to members may have to be reduced or eliminated.

For these reasons, should the Committee feel inclined to pass the bill, HAR respectfully requests that the added exemption language at page 29, lines 16-20 be amended to include membership dues, as follows:

(5) Amounts received as a gift or donation or as dues from members by a:

....
(C) Business league, chamber of commerce, board of trade, . . .





The REALTOR® Building
1136 12th Avenue, Suite 220
Honolulu, Hawaii 96816

Phone: (808) 733-7060
Fax: (808) 737-4977
Neighbor Islands: (888) 737-9070
Email: har@hawaiiirealtors.com

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.

Sincerely,

HAWAI'I ASSOCIATION OF REALTORS®

A handwritten signature in black ink that reads "Nancy Donahue-Jones". The signature is written in a cursive, flowing style.

Nancy Donahue-Jones
Chief Executive Officer



BIA-HAWAII
BUILDING INDUSTRY ASSOCIATION

February 17, 2010

Representative Marcus Oshiro, Chair
Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: HB 2878 Relating to Taxation

Dear Chair Oshiro and Members of the Committee on Finance:

I am Karen Nakamura, Executive Vice President & Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii strongly opposes HB 2878, Relating to Taxation.

HB 2878 seeks to repeal the general excise tax exemption for non-profit organizations and would tax all nonprofit revenues, with the exception of gifts and donations. Even membership dues and service fees would be taxed. For a membership based organization such as the Building Industry Association of Hawaii, whose membership dues do not cover our operating costs, this measure could be devastating to our ability to continue our services to our membership and to the public.

BIA-Hawaii is acutely aware of the budgetary challenges facing legislators; however, imposing such measures as repealing tax exemptions for non-profits is a no-win situation for us all. If we must now pay additional taxes on our revenues, we face consequences of reducing our services and diminishing our ability to recruit more members.

Please help the non-profit community continue our contributions to our society and file this bill. Thank you for the opportunity to express our views with you.

 Karen I. Nakamura, CEO, BIA-Hawaii

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:
 GARY M. SLOVIN
 ANNE T. HORIUCHI
 MIHOKO E. ITO
 CHRISTINA ZAHARA NOH

ALII PLACE, SUITE 1800 • 1099 ALAKEA STREET
 HONOLULU, HAWAII 96813

MAIL ADDRESS: P.O. BOX 3196
 HONOLULU, HAWAII 96801

TELEPHONE (808) 547-5600 • FAX (808) 547-5880
 info@goodsill.com • www.goodsill.com

INTERNET:
 gslovin@goodsill.com
 ahoriuchi@goodsill.com
 meito@goodsill.com
 cnoh@goodsill.com

MEMORANDUM

TO:	Representative Marcus R. Oshiro Chair, Committee on Finance <i><u>Via Facsimile: 528-6001</u></i>
FROM:	Mihoko E. Ito
DATE:	February 16, 2010
RE:	H.B. 2878 – Relating to Taxation Hearing on Wednesday, February 17, 2010 at 4:30 p.m., Room 308

Dear Chair Oshiro and Members of the Committee:

I am Mihoko Ito, testifying on behalf of Covanta Energy Group, the operator of the HPOWER waste-to-energy facility at Campbell Industry Park.

Covanta **opposes** H.B. 2878, to the extent that this measure seeks to repeal the current air pollution control facilities tax exemption for the general excise tax (pages 73) and use tax (page 58).

These tax exemptions apply to the operations of the HPower waste-to-energy plant in Campbell Industrial Park. Much of the tax that would be imposed through the repeal of these sections would be borne by taxpayers of the City and County of Honolulu and would not increase the funds available to reduce the deficits faced by both State and County governments.

For these reasons, we respectfully ask that this Committee remove from H.B. 2878 the provisions that repeal the general excise and use tax exemptions for air pollution control facilities. Thank you for the opportunity to testify.



Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair
Committee on Finance

HEARING Wednesday, February 17, 2010
 4:30 pm
 Conference Room 308
 State Capitol, Honolulu, Hawaii 96813

RE: HB2878, Relating to Taxation

Chair Oshiro, Vice Chair Lee, 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 the support of the retail industry and business in general in Hawaii.

RMH strongly opposes HB2878, which repeals certain exemptions under the general excise, use and public service company taxes, effective between July 1, 2010 and June 30, 2015.

In fiscal year 2009, retail revenues in the State of Hawaii declined by \$2 billion dollars from the previous year. General Excise Tax reports from the Department of Taxation indicate another three-quarters of a billion dollar decline during the first three months of the current fiscal year.

Because the financial support for RMH, not unlike that of other not-for-profit organizations, is inextricably interwoven with the performance and success of the retail industry, we have experienced significant losses in revenue. Like all businesses, we've reduced expenses, including staff compensation, as deeply as possible, while continuing to maintain the level of service to the retail industry as required by our not-for-profit mission and objectives.

Repealing our exemption from the general excise tax would impose yet another burden on the organization. It is regrettable that RMH, founded in 1901, might not survive another year.

We urge you not to pass HB2878. Thank you for your consideration and for the opportunity to testify on this measure.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII
1240 Ala Moana Boulevard, Suite 215
Honolulu, HI 96814
ph: 808-592-4200 / fax: 808-592-4202

WOODWARD-RICE ASSOCIATES

Business Services

P.O. Box 186, Honouliuli, HI 96728

(808) 963-6123

email: ricesofhi@hawaii.rr.com

February 16, 2010

House Committee on Finance

Conference Room 308

State Capitol

415 South Beretania Street

Fax: 586-6001

Re: Hearing **HB 2878**, Wednesday, February 17, 2010 at 4:30 P.M.

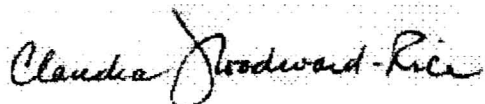
Dear Chairman Oshiro and fellow committee members:

As an accountant I have four non-profit organizations among my clients and so I am well placed to see the potential damage to community groups that would be done if the GE Tax exemption were repealed for revenues including membership dues.

While we are all aware of the need to retrench in this time of recession, it is not the time to further strain nonprofit agencies which do so much for Hawai'i's people with resources that are already very limited. Nonprofits are able to provide services more economically and efficiently than the state, but taxing them would add tremendously to their costs. Putting this additional burden on groups that organize volunteer efforts and enrich our everyday lives is a very regressive effort to add to the General Fund: the state would lose much more than it would gain.

Please do not end the GE Tax exemption for non-profit related revenues.

Sincerely,



Claudia Woodward-Rice



**LANAKILA
PACIFIC**

Building Independence for Challenged Lives

PRESIDENT & CEO
Marian E. Tsuji

*Lanakila Rehabilitation Center, Inc.
DBA Lanakila Pacific*

**LANAKILA PACIFIC
BOARD OF DIRECTORS**

Chair
Masachi Tasaka
Vice Chair
Lynn Zane
Secretary
Ko Miyasaki
Treasurer
Ken Hayashida

Directors
Riki Amuno (Ret. Judge)
Branda Cartwright
Russell Chun
Stephen Downes
Eugene Drzymala
Susan Eicher
Debbie Furuya
Audrey E.J. Ng, Esq.
Samuel Tanimoto
Bob Toyofuku
Henry L. Wong, Ph.D.

**LANAKILA PACIFIC
FOUNDATION
BOARD OF DIRECTORS**

Chair
Randy Pereira
Vice Chair
Peter Kay
Treasurer/Secretary
Rebecca Ruda Ozaki, Ph.D.

Directors
Kyle Chock
Debra Kagawa Yogi
Ed Kageyama
Jo Kamae Byrne
Arnold Martinez
Lisna Muller
Masachi Tasaka
Mark Yamakawa
Todd Yamataka
Teri Yamashiro
Shemi Yin
JoAnn Yasumori
Hoyu Zia

1800 Bachelor Street
Honolulu, Hawaii 96817
Phone: 808-537-0555
Fax: 808-537-7264
www.lanakilapacific.org



**State of Hawaii
House Finance Committee
The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice Chair
Hawaii State Legislature**

**February 17, 2010; 4:30pm
Room 308**

HB2878, Relating to Taxation

Good afternoon, Chair Oshiro, Vice Chair Lee and Members of the Finance Committee. Lanakila Pacific respectfully opposes the proposed measure to repeal the tax exemption for nonprofits.

As a nonprofit organization that serves thousands of seniors and people with disabilities each year, this far-reaching bill would have dire implications, especially when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services.

The repeal of this tax exemption would have an immediate and devastating impact on our organization and the most vulnerable populations we serve. The increase of Lanakila Pacific's general excise taxes would have a direct impact on the number of meals we can provide for homebound seniors, and training and jobs for people with disabilities.

Nonprofits are tax-exempt because we provide a social good that government would otherwise furnish, such as caring for our senior citizens and people with disabilities. Nonprofits are able to provide these services more economically and efficiently than government, but taxing them would add tremendously to costs, and result in a drastic reduction in services.

HB2878, which ends the Hawaii general excise exemption for nonprofit organizations, would deal a significant blow to Lanakila Pacific and our nonprofit community. We are constantly tightening our budgets to deal with the current economy. Further reducing services to our most vulnerable populations is not the answer to closing the budget shortfall.

Respectfully submitted:

Marian E. Tsuji, President and CEO

Dixie Kaetsu
712 Kaulele Place
Hilo, Hawaii

February 14, 2010

The Honorable Marcus R. Oshiro
Chair, House Committee on Finance
Hawaii State Capitol, Room 308
415 South Beretania Street
Honolulu, HI 96813

RE: House Bills 2877 & 2878 - Taxing Fraternal Benefit Societies

Dear Representative Oshiro:

I am writing to respectfully request that you support my ability to continue to make a difference in my local community.

I am a member of Thrivent Financial for Lutherans, a fraternal benefit society active here in Hawaii. I volunteer along with other Thrivent members in my state chapter. In 2008 alone, we dedicated more than 18,000 volunteer hours to help raise and contribute more than \$155,000 dollars to help meet local needs.

I recently learned that House Bills 2877 and 2878 would impose the general excise tax on fraternal benefit societies like Thrivent. Thrivent uses the benefits of its current tax exemption to fund our state chapter and the programs that members like me use to make a difference in our communities. Imposing the general excise tax will directly threaten my chapter's ability to continue our volunteer outreach efforts.

Please work to support fraternal volunteers like me and our efforts in Hawaii by opposing legislation to impose the general excise tax on fraternal benefit societies.

Aloha,

Dixie Kaetsu

February 14, 2010

The Honorable Marcus R. Oshiro
Chair, House Committee on Finance
Hawaii State Capitol, Room 308
415 South Beretania Street
Honolulu, HI 96813

RE: House Bills 2877 & 2878 - Taxing Fraternal Benefit Societies

Dear Representative Oshiro:

I am writing to respectfully request that you support my ability to continue to make a difference in my local community.

I am in business in Hawaii, and am also a member of Thrivent Financial for Lutherans, a fraternal benefit society active here in Hawaii. I volunteer along with other Thrivent members in my state chapter. In 2008 alone, we dedicated more than 18,000 volunteer hours to help raise and contribute more than \$155,000 dollars to help meet local needs. Every year, Thrivent provides caring and respectful support to the Oahu community.

For instance, our Thrivent chapter has supported:

- the only food bank in East Oahu, Angel Network Charities, where I volunteer
- fundraising for shelter and food for the institute for Human Services
- food for the Salvation Army Kokua Kitchen
- a group of youth on the island who work to help those less fortunate
- Boys and Girls clubs by cleaning and painting their facilities
- housing and feeding homeless people through Family Promise of Hawaii
- providing a holiday meal for homeless and/or needy families
- the 'backpack kit' project for needy kids on Oahu
- a holiday fundraiser to S.A.Y. Yes! Centers
- six Lutheran schools

I recently learned that House Bills 2877 and 2878 would impose the general excise tax on fraternal benefit societies like Thrivent. This seems like a very foolish way to generate revenue for the State of Hawaii, in my opinion. Thrivent uses the benefits of its current tax exemption to fund our state chapter and the programs that members like me use to make a difference in our communities. Imposing the general excise tax will directly threaten my chapter's ability to continue our volunteer outreach efforts.

We must not lose sight of our humanity while focusing on the budget. Who will provide all the things listed above, if we cripple our non-profit agencies?

Please work to support fraternal volunteers like me and our efforts in Hawaii by opposing legislation to impose the general excise tax on fraternal benefit societies.

Sincerely,

Phyllis Podolske
401 Kawaihae St.
Honolulu, HI 96825
395-9401

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 16, 2010 5:37 PM
To: FINTestimony
Cc: rosalime@aol.com
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Robert Pollock
Organization: Individual
Address: Box 1081 HI
Phone: 808 8761854
E-mail: rosalime@aol.com
Submitted on: 2/16/2010

Comments:

Over taxation of non-profits as proposed, will undermine the civic sector in our society. if we want to be just a society of 'haves and have nots,' then pass this legislation. Otherwise, keep our non-profit sector strong so that the best in human beings, their ability to sacrifice for others, can be sustained. Please vote against this bill.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 16, 2010 3:09 PM
To: FINTestimony
Cc: kevinogradyesquire@hawaii.rr.com
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Categories: Lisa

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Kevin O'Grady
Organization: Individual
Address: 1136 Union Mall, Suite 704 Honolulu, Hawaii 96813
Phone: 808-521-3367
E-mail: kevinogradyesquire@hawaii.rr.com Submitted on: 2/16/2010

Comments:

With regard to HB 2878,2876,2877 and 2880 it is a horrible idea to suspend tax credits, raise the GE tax or otherwise take more money from citizens, provide more money to the government and stifle the economy. Please vote no on all of these. Thank you.

February 13, 2010

The Honorable Marcus R. Oshiro
Chair, House Committee on Finance
Hawaii State Capitol, Room 308
415 South Beretania Street
Honolulu, Hawai'i 96813

Aloha Representative Oshiro:

I respectfully request that you support my local community.

I am a member of Thrivent Financial for Lutherans,
a fraternal benefit society active here in Hawaii.
I volunteer along with other Thrivent members in my state chapter.
In 2008 alone, we dedicated more than 18,000 volunteer
hours to help raise and contribute more than
\$155,000 dollars to help meet local needs.

For instance, we have been providing homeless families meals,
supporting families with catastrophic medical bills, providing
building materials and help for Habitat for Humanity projects,
and providing school scholarships for children.

I recently learned that House Bills 2877 and 2878 would
impose the general excise tax on fraternal benefit societies
like Thrivent. Thrivent uses the benefits of its current tax
exemption to fund our state chapter and the programs that
members like me use to make a difference in our communities.
Imposing the general excise tax will directly threaten
my chapter's ability to continue our volunteer outreach efforts.

Please work to support fraternal volunteers like me and
our efforts in Hawaii by opposing legislation to impose
the general excise tax on fraternal benefit societies.

Aloha in Christ,
George Evensen principal@osls-hawaii.org
Our Savior Lutheran School
98-1098 Moanalua Road
'Aiea, Hawai'i 96701 <http://oursaviorlutherschool.org>

(808) 488-0000

February 2010

The Honorable Marcus R. Oshiro
Chair, House Committee on Finance
Hawaii State Capitol, Room 308
415 South Beretania Street
Honolulu, HI 96813

RE: House Bills 2877 & 2878 - Taxing Fraternal Benefit Societies

Dear Representative Oshiro:

I am writing to respectfully request that you support my ability to continue to make a difference in my local community.

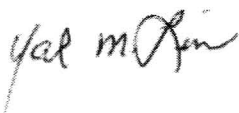
I am a member of Thrivent Financial for Lutherans, a fraternal benefit society active here in Hawaii. I volunteer along with other Thrivent members in my state chapter. In 2008 alone, we dedicated more than 18,000 volunteer hours to help raise and contribute more than \$155,000 dollars to help meet local needs.

For instance, at St. Mark Lutheran Church in Kaneohe, we have partnered with more than 15 other churches to provide 365 day per year shelter, meals and support to homeless families on the windward side, through an organization called Family Promise of Hawaii. Thrivent Financial for Lutherans has assisted the support of these homeless families at St. Mark to the tune of about \$2000 per year for the last three years. Thrivent Financial for Lutherans has also added financial support to our weekly food bank at St. Mark, and to our St. Mark Lutheran School.

I recently learned that House Bills 2877 and 2878 would impose the general excise tax on fraternal benefit societies like Thrivent. Thrivent uses the benefits of its current tax exemption to fund our state chapter and the programs that members like me use to make a difference in our communities. Imposing the general excise tax will directly threaten my chapter's ability to continue our volunteer outreach efforts.

Please work to support fraternal volunteers like me and our efforts in Hawaii by opposing legislation to impose the general excise tax on fraternal benefit societies.

Sincerely,



Yal M. Lim
44-133 Nanamoana St.
Kaneohe, HI 96744

February 2010

The Honorable Marcus R. Oshiro
Chair, House Committee on Finance
Hawaii State Capitol, Room 308
415 South Beretania Street
Honolulu, HI 96813

RE: House Bills 2877 & 2878 - Taxing Fraternal Benefit Societies

Dear Representative Oshiro:

I am writing to respectfully request that you support my ability to continue to make a difference in my local community.

I am a member of Thrivent Financial for Lutherans, a fraternal benefit society active here in Hawaii. I volunteer along with other Thrivent members in my state chapter. In 2008 alone, we dedicated more than 18,000 volunteer hours to help raise and contribute more than \$155,000 dollars to help meet local needs.

For instance, as a board member of Angel Network Charities, I have experienced first hand how Thrivent has contributed to our fundraising in matching funds and increased the number of volunteers participating. We have been able to feed many more homeless and hungry.

I recently learned that House Bills 2877 and 2878 would impose the general excise tax on fraternal benefit societies like Thrivent. Thrivent uses the benefits of its current tax exemption to fund our state chapter and the programs that members like me use to make a difference in our communities. Imposing the general excise tax will directly threaten my chapter's ability to continue our volunteer outreach efforts.

Please work to support fraternal volunteers like me and our efforts in Hawaii by opposing legislation to impose the general excise tax on fraternal benefit societies.

Sincerely, Michael Podolske

Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair
COMMITTEE ON FINANCE

Stephen L. Tschudi
1743 10th Ave Apt C
Honolulu HI 96816

Wednesday, February 17, 2010
Opposition to H.B. No. 2878, Relating to Taxation

Our publicly constituted government is rightly dedicated to providing or at least supporting certain public interests, including the health, welfare, and education of the citizenry. At the same time, in a free society, we recognize the desirability of allowing such interests to be served via private channels through free association for charitable purposes. Recognizing that charitable, religious, and educational organizations provide public goods which offset certain governmental responsibilities, we properly grant these non-profit organizations tax-exempt status. The tax exemption for non-profit organizations is an efficient mechanism helping the state further the public interest. In general, to work against the interests of these organizations is to work against the public interest.

House Bill 2878 represents a praiseworthy attempt to address the staggering revenue shortfall the state is currently experiencing. However, the bill has three flaws that should excite strenuous opposition from fair-minded citizens:

- 1) In an attempt to close the budget gap, HB 2878 works against public interests served by non-profit organizations.
- 2) As a tax on revenue, the excise tax proposed to be levied on non-profits via HB 2878 grabs monies from non-profits without regard to their overall financial picture.
- 3) HB 2878 unfairly privileges religious institutions, since they remain exempt. (Of course, as the Legislature is aware, to propose taxation of religious institutions would cause a firestorm of protest. HB 2878 is an attempt to pick off the more vulnerable non-religious non-profits.)

In our attempts to deal with the current revenue shortfall, we must take care not to use means that work actively against our own interest. In addition, we should avoid privileging religious institutions over and above other non-profit organizations, lest we veer in the direction of state endorsement or establishment of religion.

I urge the Committee to vote against HB 2878.

Mahalo!

Stephen Tschudi

FINTestimony

From: mailinglist@capitol.hawaii.gov
sent: Wednesday, February 17, 2010 12:45 AM
To: FINTestimony
Cc: april14morse@yahoo.com
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Patricia Takemoto
Organization: Individual
Address: 1010 Wilder Ave Honolulu, HI
Phone: 808-537-2051
E-mail: april14morse@yahoo.com
Submitted on: 2/17/2010

Comments:

I know our state is facing serious budget shortfalls, but HB 2878 would cripple non-profit groups that are providing critical physical, emotional, and spiritual support services that our citizens need to sustain body, mind, and soul during these hard times. It is the role of wise government leaders to create ways to protect the weakest in our society. Many non-profit groups are already struggling financially; removing their GET exemption would guarantee their demise and the invaluable services they provide to many of our most vulnerable citizens.

Please do not pass HB 2878.

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Tuesday, February 16, 2010 6:55 PM
To: FINTestimony
Cc: hubert001@hawaii.rr.com
Subject: Testimony for HB2878 on 2/17/2010 4:30:00 PM

Testimony for FIN 2/17/2010 4:30:00 PM HB2878

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Thomas Huber
Organization: Individual
Address:
Phone: 808 235 1437
E-mail: hubert001@hawaii.rr.com
Submitted on: 2/16/2010

Comments:

I oppose adoption of HB 2878 to the extent that it would subject all nonprofit revenue except gifts and contributions to the Hawaii GET tax. This would subject human service, health and community service agencies to devastating increases in costs just as they are assuming a large portion of the service load of the State and County governments while at the same time suffering reduction or loss of contributions and government funding.