

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 39, H.D. 1

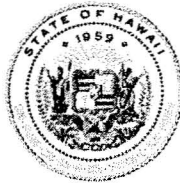
March 2, 2009

RELATING TO STATE REVENUES

House Bill No. 39, H.D. 1, adds a \$5 surcharge to the fee charged by a State agency for certain services. The surcharge will be deposited into the general fund and will be in effect for Fiscal Years 2010 to 2015.

We support moving this bill forward to foster continued discussions. During these difficult times and considering the grave fiscal condition we are facing, all options must be kept open. While it is recognized that this bill may be unpopular, we will need to make difficult decisions to address our budget shortfall and ensure the fiscal health of our State.

As requested by House Speaker Say, we are currently compiling information from the departments on the additional general fund revenues that may result from the \$5 surcharge and the departments' comments and concerns on the impact of the surcharge. We hope to complete the report this week.



LINDA LINGLE  
GOVERNOR  
  
JAMES R. AIONA, JR.  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
335 MERCHANT STREET, ROOM 310  
P.O. Box 541  
HONOLULU, HAWAII 96809  
Phone Number: (808) 586-2850  
Fax Number: (808) 586-2856  
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH  
DIRECTOR  
  
RONALD BOYER  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FIFTH LEGISLATURE  
Regular Session of 2009

MONDAY MARCH 2, 2009  
4:44 P.M.

**TESTIMONY ON HOUSE BILL NO. 39, H.D. 1  
RELATING TO STATE REVENUES.**

**WRITTEN ONLY**

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, MARILYN B. LEE, VICE CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Lawrence M. Reifurth, and I am the Director of the Department of Commerce and Consumer Affairs ("Department"). **The Department has a number of concerns with regard to this proposal.**

The Department appreciates the financial position that the State finds itself in, and appreciates also the difficulty that decision-makers have in formulating responses under the circumstances. The proposal here would add a temporary (from July 1, 2009 to June 30, 2015) surcharge of \$5 to every fee charged by a state agency with a few exceptions. This may have appeared simple and straightforward when it was first conceived, but from the perspective of one of the agencies that would have to implement it, it is decidedly complicated and expensive.

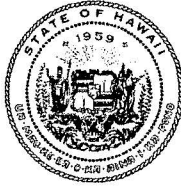
The Department has several hundred fees to which this proposal would apply. Some of these fees are paid online, others are paid by mail and others are paid in person. In order to implement the proposal, all of the Department's license and registration paper and online forms would have to be modified to reflect the additional surcharge. The Department would also have to develop a way to process money so that \$5 from each transaction is identified, set aside and transmitted to the Director of Finance. These are not processes that we currently employ, and would have to be developed before the program could be implemented. In addition, of course, there would be a cost to developing and implementing such a program.

Given the current fiscal difficulties that we are all facing, including businesses and licensed professionals, we do not believe that any additional fee is prudent at this time. However, notwithstanding our concerns over the financial impact this fee would have on Hawaii's economy, the administrative problems associated with the Department's implementing this proposal would be avoided, and the process would become much more transparent, if the surcharge were accomplished instead through the tax system. The Department recommends that the Department of Taxation be consulted on the question of how best to implement this measure as a new/temporary tax, rather than as a fee surcharge.

Thank you for the opportunity to submit testimony on H.B. No. 39, H.D. 1.

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510  
FAX NO: (808) 587-1560

**HOUSE COMMITTEE ON FINANCE  
TESTIMONY REGARDING HB 39 HD 1  
RELATING TO STATE REVENUES**

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

**DATE: MARCH 2, 2009**

**TIME: 4:44PM**

**ROOM: 308**

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This measure proposes to increase government fees by \$5 for several agency services, except where exempt.

The Department of Taxation (Department) has concerns with this measure; however understands that the Legislature needs to consider all available options to close the budget gap.

**NOT THE RIGHT TIME TO INCREASE FEES**—Though the Department understands the budget shortfall currently facing the State, as well as the anticipated projected shortfall that the Council on Revenue may determine, it is the Department's position that increased fees for state services is imprudent at this time. To increase fees on basic government services at a time when the taxpayers and the economy as a whole are struggling is inadvisable.

**DEPARTMENT OF TAXATION FEES**—Based on the Department's analysis of this measure, the Department's comfort ruling and high tech certification fees will be impacted. Also, application for general excise tax and other licenses and permits will be impacted.

**INCONSISTENCIES IN THE MEASURE**—The Department points out that the measure currently provides a fee for the application for or issuance of a tax clearance. Also, the measure's exceptions include any government service where a fee is not currently charged. Currently, there are no fees for obtaining a tax clearance. The Department suggests that the Committee amend the measure to clarify whether the Department should charge a fee for the tax clearance service; or whether the tax clearance will be exempt from the fee increase due to the fact that a fee is not currently charged.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Surcharge fee on certain services

BILL NUMBER: HB 39, HD-1

INTRODUCED BY: House Committee on Finance

**BRIEF SUMMARY:** Adds a new section to HRS chapter 92 to provide for the imposition of a temporary surcharge of \$5 in addition to any fee, if any, charged by a state agency for: (1) the application for, or issuance or renewal of, a permit, license, certificate, registration, or other approval by a state agency; (2) the application for a loan, loan guarantee, grant-in-aid, or purchase of service submitted to a state agency; (3) the recordation of a document by, or filing of, a document with a state agency; (4) the application for, or issuance or renewal of, a lease or other conveyance of real or personal property of a state agency; (5) the application for, or issuance of, a tax clearance by the department of taxation; (6) the acquisition of procurement solicitation documents from a state agency; (7) the conduct of an inspection or test by a state agency; or (8) the taking of an examination held by a state agency. The fee shall be imposed between July 1, 2009 and be repealed on June 30, 2015.

The director of finance shall establish the deadlines by which the state agency shall transmit the surcharge to the director and provides that the surcharge shall be deposited into the general fund.

Delineates transactions where no surcharge shall be added.

**EFFECTIVE DATE:** July 1, 2009

**STAFF COMMENTS:** This measure proposes to impose a temporary surcharge of \$5 on certain fees charged by the state between July 1, 2009 and June 30, 2015. While it appears that this measure is proposed to generate additional general funds, it would impose the additional surcharge on a select number of transactions. If the imposition of the surcharge does not meet the revenue expectations of the measure, the fees, no doubt, will be increased or expanded to include other transactions resulting in an indirect "tax increase" to all taxpayers. No doubt all options to generate additional revenues for the fiscal biennium are being placed on the table. Hopefully, lawmakers and administrators will also take a good hard look at all expenditures and eliminate those programs and services which are not critical to the health, safety and welfare of the community. Neither taxes, fees or spending should be sacrosanct in this difficult economic time.

Digested 3/2/09



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Finance  
March 2, 2009 at 4:44pm

by

Howard Todo

Vice President for Budget & Finance/CFO, University of Hawai'i

HB 0039 HD1 – RELATING TO STATE REVENUES

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

HB 39 HD1 adds a \$5 surcharge to the fee charged by a state agency for certain services. In our reading of the current wording of this bill, it is not clear to us whether parking charges to non-students are intended to be included in fees upon which the surcharge would be applied, as a "permit". If so, it will be problematic to isolate non-student fees because parking permits are sold by zones in which both students and non-students are allowed to park. In addition, some permits and charges may be for daily, hourly, semester, or annual periods so it is unclear how the \$5 surcharge would be computed. In any case, determining, calculating, collecting, accumulating and remitting such a surcharge would create an administrative burden and require new processes to be implemented, the cost of which may be out of proportion to the potential additional revenue generated.

Accordingly, the University wishes to express its concern regarding this issue and requests the Committee clarify the intent of HB 39 HD1 in this regard.

Thank you for the opportunity to provide testimony on this measure.