

SB 755

SD 1



**Testimony to the Senate Committee on Ways and Means
Tuesday, March 1, 2011 at 9:20 a.m.
Conference Room 211, State Capitol**

**RE: SENATE BILL NO. 755 SD1 RELATING TO ECONOMIC
DEVELOPMENT**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") is in general **support** of SB 755 SD1, which is one of the bills in the Small Business Caucus package. The Chamber appreciates the effort of the Legislature to help small businesses in Hawaii.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure Creates annual exemption from general excise tax on retail sales of: school supplies of less than \$15 per item; computers, computer software, and computer supplies of less than \$1,500 per purchase; clothing of less than \$100 per item; and books of less than \$50 per item, transacted during a five day period in the last full week of July; requires all savings generated to be passed on by the seller to the purchaser without any increase in price; clarifies items not included in the exemption. (SD1)

As Hawaii's economy makes a slow recovery, a "sales tax holiday" provided in this measure will afford consumers temporary relief and spark consumer confidence and spending, as well as provide temporary assistance to local businesses. Some studies show that this type of holiday increases job creation and net increase in tax revenues as a result of increased economic activity. An ancillary effect, especially in the retail industry, is that it increase store traffic and encourages spending not only on items that are exempted from the sales tax but on non-exempt items, which in turn generates tax revenues.

The Chamber asks that the committee pass SB 755 SD1 for further discussion. Thank you for the opportunity to provide testimony.

Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair
Committee on Ways and Means
State Capitol, Honolulu, Hawaii 96813



HEARING Tuesday, March 01, 2011
 9:20 am
 Conference Room 211

RE: **SB 755, SD1, Relating to Economic Development**

Chair Ige, Vice Chair Kidani, 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. Retail is one of the largest single employers in the state, employing almost 24% of the labor force.

RMH strongly supports SB755, which creates annual exemption from general excise tax on purchase of school supplies of less than \$15 per item; computers, computer software, and computer supplies of less than \$1,500 per purchase; clothing of less than \$100 per item; and books of less than \$50 per item.

In 2010, consumers in nineteen (19) states enjoyed some form of "sales tax holiday." The study cited in the preamble of this bill, *An Analysis of the Costs and Benefits of a Sales Tax Holiday in Florida*, provides compelling support for this legislation:

- Increased generation of jobs; 71% in retailing and 29% in other areas [21,896]
- Additional labor income: 61% in retailing and 38% throughout the economy [\$628 million]
- Net increase in tax revenues as the result of increased economic activity [\$118 million]

Further analytical evidence indicates:

- Reduction in the overall price shoppers pay solicits greater amounts of goods purchased, both tax exempt and non-tax exempt during this time period
- Tax holidays increase store traffic. A mall intercept survey during a back to school event in Texas revealed that 80% of shoppers said that the tax holiday motivated their decision to shop
- The benefits of a tax holiday tend to be shared by both consumers and retailers: about 80% of the tax relief remains with shoppers while 20% is shared with retailers. In a highly competitive sector like retail, additional motivation for consumer activity results in greater value for the consumer.

The tax exemption proposed in this measure will provide needed cost savings to Hawaii's families, especially during the back-to-school time frame, when there already are considerable budgetary concerns with getting children ready for a new school year. Further benefit will extend to Hawaii's non-profit organizations that hold school supplies fund drives, and to our teachers who purchase supplies in preparation for their classes.

The members of RMH respectfully urge you to pass SB755, SD1. We are prepared to work with the legislature and the tax department going forward. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

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