

Honolulu, Hawaii

APR 08 2011

RE: H.B. No. 793
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 793 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to delay certain amendments to the State's income tax law.

Specifically, the measure:

- (1) Delays the standard deduction and personal exemption increases approved under Act 60, Session Laws of Hawaii 2009; and
- (2) Makes the increases permanent.

Your Committee held a public hearing on a proposed draft of the measure. Among other things, the proposed draft:

- (1) Suspends from January 1, 2012, to June 30, 2015, the exemptions for certain persons and certain amounts of gross income or proceeds from the general excise and use tax and requires the payment of the tax at a rate of four per cent;
- (2) For two years, doubles the:
 - (A) State income tax standard deduction amounts;



- (B) State income tax credit for household and dependent care services necessary for gainful employment;
 - (C) State income tax credit for low-income household renters; and
 - (D) Refundable food/excise tax credit;
- (3) For two years, increases by one per cent:
- (A) The capital goods excise tax credit;
 - (B) The general excise and use tax rates; and
 - (C) Various public service company tax rates; and
- (4) Appropriates funds for the Department of Taxation to expedite implementation.

Your Committee received testimony in support of this measure from Alan Johnson, Chairperson, Hawaii Substance Abuse Coalition; Joy Kobashigawa Lewis, Legislation Committee of the State Central Committee, Democratic Party of Hawaii; Susan Goya, Executive Secretary, Retirees Unit, Hawaii Government Employees Association; Kris Coffield, Legislative Director, IMUAlliance; Al Hamai, President, Hawaii Alliance For Retired Americans; Eldon L. Wegner, Policy Advisory Board for Elder Affairs; and one hundred eighty-four individuals.

Your Committee received testimony in opposition to this measure from Tim Lyons, President, Subcontractors Association of Hawaii; Tim Lyons, Legislative Liason, Anheuser Busch Companies; Malcolm Barcarse, Jr., Corporate Counsel, A & B Electric Company, Inc.; Malcolm Barcarse, Jr., Chairman, Associated Builders and Contractors, Inc.; Iain S. Wood, President, Ship Repair Association of Hawaii; Tim Lyons, Legislative Chairman, Aloha Society of Association Executives; Chamber of Commerce of Hawaii; National Federation of Independent Business; Joseph J. Annotti, President, & CEO Thrivent Financial for Lutherans, Woodmen of the World, The Independent Order of Foresters and Knights; American Fraternal Alliance; American Council of Life Insurers; Carol Pregill, President, Retail Merchants of Hawaii; Scott Waracka, President, Kailua Electric Service; Gary M. Slovin, PVT Land Company; Gregg S. Serikaku, Executive Director, Plumbing and



Mechanical Contractors Association of Hawaii; Gary M. Slovin, Covanta Energy Corporation; Richard M. Moss, President, MOSS Engineering, Inc.; Hawaii Food Industry Association; Amy Blagriff, Executive Vice President, American Institute of Architects, Hawaii State Council; John H. Katahira, President, The Limtiaco Consulting Group, Inc.; Shane Kitchens, AIA Premier Pacific Design Group; Robin K. Inaba, AIA Inaba Architecture; Stanford C. Lee, AIA Principal/Manager, Next Design; Neal Arita, Executive Director, Sheet Metal Contractors Association; Bernhard Wonneberger, AIA, NCARB Unit Manager and Principal, Wiss, Janney, Elstner Associations, Inc.; Greg Thielen, President/RME, Complete Construction Services; John Fullmer, AIA Vice President, Mason Architects; Lori Peters, ACH Co-Chair, Airlines Committee of Hawaii; Spencer Leineweber, FAIA, 2011 AIA Honolulu President, American Institute of Architects; Debra M. A. Luning, Director of Governmental Affairs and Community Relations, Gentry Homes and Gentry Builders; American Council of Engineering Companies of Hawaii; Brian Benton, Chair of the Government Affairs Committee, Hawaii Association of Realtors; Sandra Weir, Director, Hawaii Operations, Norwegian Cruise Line America, LLC; Wayne Kato, Chairman of the Board, Honolulu Japanese Chamber of Commerce; Earl H. Kono, AIA, Principal, Riecke Sunnland Kono Architects, Ltd.; Gary Slovin, Air Transport Association; Darren Hand, AIA, LEED-AP American Institute of Architects; David Ralph, Vice President, Finance Polynesian Cultural Center; Patsy Nanbu, Hawaiian Electric Company, Inc.; ILWU Local 142; FC Hawaii CM, LLC; Adrienne King; LYZ, Inc.; John J. Polischeck, Jr., President, American Piping & Boiler Co.; Kathryn Yamate, Accounting Manager, American Piping & Boiler Co.; Rayna Hashimoto, Assistant Controller, American Piping & Boiler Co.; John R. Kennedy, Managing Member, Industrial Group; Brett Kappelle, Barker Kappelle Construction, LLC.; Jeff Thompson, Vice President, Ledcor Construction Hawaii, LLC; Dennis M. Ideta, Senior Vice President, S & M Sakamoto, Inc.; Alan Shintani, President, Alan Shintani, Inc.; Glenn Ushio, President, Tomco Corp.; Pamela Tumpap, President, Maui Chamber of Commerce; JAS W Glover, LTD; DM Pacific, Inc.; Ralph S Inouye Co., LTD; Maui Divers of Hawaii; Hawaiian Telcom; Charley's Taxi; Coalition of Hawaii Engineering and Architectural Professionals; Hawai'i Association of Realtors; Nordic Construction PCL; Electrical Contractors Association of Hawaii; General Contractors Association; Luersen Architects, Inc.; and two hundred fifty-eight individuals.

Your Committee received comments on this measure from Frederick D. Pablo, Director, Department of Taxation; Kalbert K.



Young, Director, Department of Budget and Finance; Tax Foundation of Hawaii; Louise K. Y. Ing, President, Hawaii State Bar Association; Robert Witt, Executive Director, Hawaii Association of Independent Schools; Lisa Maruyama, President and CEO, Hawaii Alliance of Nonprofit Organizations; Greg Wirtz, President, North West and Canada Cruise Association; Mar Labrador, Chair, Hawaii Harbors Users Group; Vivian Landrum, President/CEO, Kona-Kohala Chamber of Commerce; Paul T. Oshiro, Manager-Government Relations, Alexander and Baldwin, Inc.; and three individuals.

Your Committee finds that a temporary suspension of certain exemptions of the general excise and use tax is a prudent method of addressing the projected revenue shortfall faced by the State.

Your Committee has amended this measure by replacing its contents with the contents of the proposed draft, and further amending it by:

- (1) Deleting provisions to increase the standard deduction amounts, income tax credit for household and dependent care services necessary for gainful employment, income tax credit for low-income household renters, refundable food/excise tax credit, capital goods excise tax credit, general excise and use tax rates, and public service company tax rates;
- (2) Clarifying that the temporary suspension of exemptions from the general excise and use tax, as provided for in this measure, shall not apply to gross income or gross proceeds from services furnished to a company by its wholly owned subsidiary; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 793, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 793, S.D. 1, and be placed on the calendar for Third Reading.



Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate
Twenty-Sixth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* HB 793	Committee Referral: WAM	Date: 4-7-11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)			✓	
KIDANI, Michelle N. (VC)		✓		
CHUN OAKLAND, Suzanne			✓	
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will		✓		
FUKUNAGA, Carol			✓	
KIM, Donna Mercado	✓			
KAHELE, Gilbert	✓			
KOUCHI, Ronald D.	✓			
RYAN, Pohai	✓			
TOKUDA, Jill N.	✓			
WAKAI, Glenn	✓			
SLOM, Sam			✓	
TOTAL	8	2	4	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>				
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*Only one measure per Record of Votes