

NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1530  
FAX NO: (808) 587-1584

FREDERICK D. PABLO  
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
DEPUTY DIRECTOR

## HOUSE COMMITTEE ON FINANCE

### TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 799, PROPOSED HD1 RELATING TO TAXATION

**TESTIFIER:** FREDERICK D. PABLO, DIRECTOR OF TAXATION  
(OR DESIGNEE)

**COMMITTEE:** FIN

**DATE:** FEBRUARY 25, 2011

**TIME:** 6:00PM

**POSITION:** CONCERNS

---

This measure temporarily suspends 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 4% rate.

The Department of Taxation (Department) has concerns about its ability to provide sufficient support to the public should this change in the application of the general excise tax go into effect on July 1, 2011. A significant number of new taxpayers would be required to report and remit general excise taxes on revenues that are currently not taxable. These new taxpayers will need additional Department support to ensure accurate filing and submission of the taxes. Upgrades to the Department's computer system will also need to be made to accommodate these changes.

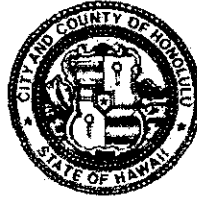
The revenue impact of suspending all general excise tax exemptions for FY 2012 - FY 2015 would generate an estimated \$689.1 million per fiscal year.

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

DEPARTMENT OF ENVIRONMENTAL SERVICES  
**CITY AND COUNTY OF HONOLULU**

1000 ULUOHIA STREET, SUITE 308, KAPOLEI, HAWAII 96707  
TELEPHONE: (808) 768-3486 • FAX: (808) 768-3487 • WEBSITE: <http://envhonolulu.org>

PETER B. CARLISLE  
MAYOR



TIMOTHY E. STEINBERGER, P.E.  
DIRECTOR

MANUEL S. LANUEVO, P.E., LEED AP  
DEPUTY DIRECTOR

ROSS S. TANIMOTO, P.E.  
DEPUTY DIRECTOR

IN REPLY REFER TO:  
WAS 11-33

February 25, 2011

The Honorable Marcus R. Oshiro, Chair  
and Members of the Committee on Finance  
House of Representatives  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: House Bill 799, Relating to Taxation

The City and County of Honolulu's Department of Environmental Services (ENV) opposes that portion of Bill 1742, relating to taxation that would remove or potentially limit the tax exemption for air pollution control facilities.

Specifically Sections 2 and 3 of HB 799 would repeal the current tax exemptions for Air Pollution Control Facilities through the inclusion of proposed new Sections 237-A and 238-A to Chapter 237 of the Hawaii Revised Statutes.

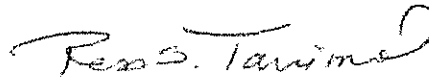
Although Section 2 of HB 799 in the proposed Section 237-A (19), or Section 237-A (30) in the proposed HD1, would exclude facilities that already have a valid certificate of exemption, this change would seriously impact any future mandated project at H-Power to update the Air Pollution Control Facility for the plant. This would result in major contractual and cost impacts to H-Power and its on-going upgrade which were not considered in existing contracts between Covanta and the City and County of Honolulu (City). H-Power provides a critical service to the community as it is the primary waste disposal option for the City and will increase that function with the completion of an additional boiler in 2012. H-Power's incineration of waste not only reduces the amount of waste going to the landfill but provides the added benefit to the community of recycling municipal solid waste to produce energy for Hawaiian Electric Company.

Because almost the entire H-Power facility has been characterized as an Air Pollution Control Facility, the proposed change in Section 3 of HB 799 of adding Section 238-A (8) to eliminate the exemption for Air Pollution Control Facilities as it relates to the "use" tax would seriously impact the overall costs to efficiently operate this major waste-to-energy facility. This change, again, was not considered in the existing operating and construction contracts for H-Power.

The Honorable Marcus R. Oshiro, Chair  
February 25, 2011  
Page 2

We urge you to refrain from removing the tax credit for an Air Pollution Control Facility that provides a critical waste disposal service to our community, diverts waste from the landfill, and converts waste to energy, all of which have a positive impact on our island environment.

Sincerely,

A handwritten signature in cursive script that reads "Timothy E. Steinberger".

Timothy E. Steinberger, P.E.  
Director

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, USE, Suspend exemptions; impose 4% rate

BILL NUMBER: HB 799, Proposed HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS chapter 237 to suspend the general excise tax exemptions between July 1, 2011 and June 30, 2015 and provide that the following shall be subject to a 4% tax rate:

- 237-13(3)(B) - amounts deducted from the gross income received by contractors;
- 237-13(3)(C) - reimbursements received by federal cost-plus contractors for the costs of purchased materials, plant, and equipment;
- 237-13(6)(D) - gross receipts of telecommunications home service providers acting as service carriers for other home service providers;
- 237-16.5 - amounts deducted from the gross income of real property lessees because of receipt from sublessees;
- 237-16.8 - gross income received by nonprofit organizations from conventions, conferences, trade shows, or display spaces;
- 237-23(a)(3) to (10) - gross income received by such persons; except that amounts received by corporations, associations, trust, or societies organized and operated for religious purposes that were exempt from taxation on June 30, 2011 shall continue to be exempt;
- 237-24(8) - amounts collected by distributors as fuel taxes under HRS chapter 243;
- 237-24(9) - taxes on liquor imposed by HRS chapter 244D on dealers holding permits;
- 237-24(10) - amounts of taxes on cigarettes and tobacco products imposed by HRS chapter 245;
- 237-24(11) - amounts collected as federal excise taxes;
- 237-24(12) - amounts of federal taxes under chapter 37 of the IRC imposed on sugar manufactured in the state and paid to the federal government;
- 237-24(13) - up to \$2,000 a year of gross income received by any blind, deaf, or totally disabled person engaging, or continuing, in any business, trade, activity, occupation within the state;
- 237-24(14) - amounts received by sugarcane producers;
- 237-24.3(1) - amounts received from the loading, transportation, and unloading of agricultural commodities shipped interisland;
- 237-24.3(2) - amounts received from the sale of intoxicating liquor, cigarettes and tobacco products, and agricultural, meat, or fish products to person or common carriers engaged in interstate commerce;
- 237-24.3(4)(A) - amounts received or accrued from the loading or unloading of cargo;
- 237-24.3(4)(B) - amounts received or accrued from tugboat and towage services;
- 237-24.3(4)(C) - amounts received or accrued from the transportation of pilots or government officials and other maritime related services;
- 237-24.3(7) - amounts received by hospitals, infirmaries, medical clinics, health care facilities, pharmacies, or practitioners licensed to sell prescription drugs and prosthetic devices;
- 237-24.3(8) - taxes on transient accommodations imposed by HRS chapter 237D;

- 237-24.3(9) - amounts received as dues by unincorporated merchants association from their membership;
- 237-24.3(10) - amounts received by labor organizations for real property leases;
- 237-24.3(12) - amounts received as rent for aircraft or aircraft engines used for interstate air transportation;
- 237-24.5 - amounts received by stock exchanges and exchange members;
- 237-24.7(3) - surcharge taxes on rental motor vehicles imposed by HRS chapter 251;
- 237-24.7(10) - amounts received as high technology development grants;
- 237-24.75 - amounts received as beverage container deposits collected under HRS chapter 342G;
- 237-24.9 - amounts received from the servicing and maintenance of aircraft and maintenance facilities;
- 237-25(a)(3) - gross proceeds received from the sale of tangible personal property to the United States and state-chartered credit unions;
- 237-27 - amounts received by petroleum product refiners from other refiners for further refining of petroleum products;
- 237-27.5 - gross proceeds received from the construction, reconstruction, erection, operation, use, maintenance of furnishing of air pollution facilities that do not have valid certificates of exemption on July 1, 2011;
- 237-28.1 - gross proceeds received from shipbuilding and ship repairs;
- 237-29.5 - gross proceeds received from tangible personal property shipped out of state;
- 237-29.53 - gross proceeds received from contracting or services performed for use outside the state;
- 237-29.55 - gross proceeds or gross income received from the sale of tangible personal property imported for subsequent resale at wholesale;
- 237-29.8 - amounts received by telecommunications common carriers from call center operators for interstate or foreign telecommunications services;
- 209E-11 - gross proceeds received by qualified businesses in enterprise zones that do not have valid certificates of qualifications from DBEDT on July 1, 2011; and
- 209E-11 - gross proceeds received by licensed contractors for construction performed for businesses in an enterprise zone or businesses who have been approved by DBEDT to enroll in the enterprise zone program.

Requires the information reporting on all exclusions or exemptions of all amounts, persons, or transactions under this chapter except for: (1) amounts received that are exempt under HRS section 237-24(1) through (7); and (2) any other amounts, persons, or transactions as determined by the director in the best interest of tax administration and made by official pronouncement.

Amends HRS chapter 238 to suspend the general excise tax exemptions between July 1, 2011 and June 30, 2015 and provide that the following shall be subject to a 4% tax rate:

- 238-1(6) - the leasing or renting of aircraft or keeping of aircraft solely for leasing or renting for commercial transportation of passengers and goods or the acquisition or importation of aircraft or aircraft engines by a lessee or renter engaged in interstate air transportation;
- 238-1(7) - the use of oceangoing vehicles for passenger or passenger and goods transportation from one point to another within the state as a public utility;
- 238-1(8) - the use of material, parts, or tools imported or purchased by a person licensed under HRS chapter 237 which are used for aircraft service and maintenance or the construction of an

aircraft service and maintenance facility;

238-1(9) - the use of services or contracting imported for resale where the contracting or services are for resale, consumption, or use outside the state;

238-3(g) - the use or sale of intoxicating liquor and cigarette and tobacco products imported into the state and sold to any person or common carrier in interstate commerce, whether ocean-going or air, for consumption out-of-state by the person, crew, or passengers on the shipper's vessels or airplanes;

238-3(h) - the use of any vessel constructed under HRS section 189-25 prior to July 1, 1969;

238-3(j) - the use of property, services, or contracting subject to HRS section 237-26 or HRS section 237-29; and

238-3(k) - the use of any air pollution control facility subject to HRS section 237-27.

Stipulates that the tax imposed at the rate of 4% shall not apply to any property, services, or contracting or to any use of the property, services, or contracting that cannot legally be so taxed under the Constitution or laws of the United States, but only so long as, and only to the extent to which the state is without power to impose the tax. If so determined, requires the director of taxation to: (1) exempt or exclude the property, services, or contracting or the use of the property, services, or contracting, from the tax imposed at the rate of 4%; or (2) apportion the gross value of services or contracting sold to customers within the state by persons engaged in business both within and without the state to determine the value of that portion of the services or contracting that is subject to taxation under HRS chapter 237 for the purposes of section 237-21.

No county surcharge shall be levied, assessed, or collected on any previously exempt value of property, services, or contracting that is subject to taxation at the rate of 4% under the general excise or use tax. The 4% general excise or use tax shall not apply to the value of property, services, or contracting from binding written contracts entered into prior to July 1, 2011, that do not permit the passing on of increased rates of taxes.

Requires the director of taxation to require information reporting on all exclusions or exemptions of all amounts, persons, or transactions under the general excise or use tax, except for any amounts, persons, or transactions as determined by the director in the best interest of tax administration and made by official pronouncement.

The director of taxation may establish additional requirements, procedures, and forms pursuant to rules adopted under HRS chapter 91 to effectuate this section.

The department of taxation shall have the authority to postpone the payment of any tax imposed under this act until the deadline to file the annual general excise or use tax returns, as applicable, without regard to any extension.

Sections of this act suspending certain exemptions of HRS section 237-24, shall not be affected by the repeal and re-enactment of that section on December 31, 2013, pursuant to Act 70, SLH 2009. Sections of this act suspending certain exemptions of HRS sections 237-24.3 and 237-24.7, shall not be affected by the repeal and re-enactment of those sections on December 31, 2014, pursuant to Act 91, SLH 2010.

This act shall be repealed on June 30, 2015.

EFFECTIVE DATE: July 1, 2011

STAFF COMMENTS: This measure proposes to suspend the selected general excise and use tax exemptions and provides that the amount of the exempt income shall be taxed at the rate of 4.0% temporarily between 7/1/11 and 6/30/15. Earlier versions of this bill would have imposed a tacit 1% rate on these currently exempt transactions.

It should be remembered that many of the exemptions exist because if the general excise or use tax were imposed on these entities or transactions it would impose an undue burden or cause businesses to structure transactions in an inefficient manner. Some of these exemptions were adopted to ensure that transactions, such as reimbursements or amounts disbursed as employee compensation and/or benefits, are not subject to taxation. There are those exemptions that exist because to tax the transaction would be a violation of superior law or may be deemed unconstitutional. Other deductions, exclusions and exemptions exist because they help to reduce the pyramiding effect of the general excise tax. It should be remembered that any imposition of tax will not only result in the increase in the cost of doing business in Hawaii, but may create inequitable taxing situations that were addressed by the specific general excise tax exemption. Note well that other preferred taxpayers, such as enterprise zone businesses granted general excise tax exemptions, are not included in this list of exempt transactions.

For example, gross income received as a result of stevedoring activities, that is the loading and loading of ships or aircraft, that is currently exempt would be subject to the proposed 4% general excise tax rate. While it will generate much needed revenue for the state, the added cost represented by the new tax would ripple through the entire economy as nearly 96% of everything residents consume comes over the docks. In other cases, imposing the new tax would constitute double taxation as would be the case on telecommunications home service providers who collect charges for another home service provider in another state where that same amount is subject to the other state's tax. In the case of goods and services sold for consumption outside the state, taxing those goods or services would not only violate interstate commerce, but it would also subject those goods or services to double taxation, being taxed first by Hawaii and then by the other state where the consumer lives or works. Then, as noted above, there are those exemptions that are obsolete where the activity no longer exists such as payments to independent sugar growers or gross income of petroleum refiners of which there are none technically in the state as the existing petroleum refiners are located within the foreign trade zone.

While the previous draft of this measure was palatable, this proposed draft becomes "greedy" as it attempts to squeeze more money out of taxpayers by subjecting the taxes imposed on goods and services such as the fuel tax (HRS chapter 243), liquor tax (HRS chapter 244D), transient accommodation tax (TAT) (HRS chapter 237D); and rental motor vehicle tax (HRS chapter 251) to the proposed 4% general excise tax rate. While the proposed measure also proposes to subject amounts collected as federal excise taxes and amounts collected as federal taxes imposed on sugar manufactured in the state, it should be noted that while this measure is proposed to generate additional revenue to address the state's immediate budget crisis, if this measure is adopted it may pose a constitutional challenge by federal government as to the taxation of such amounts. Therefore, any additional revenue derived from the enactment of this measure may be needed to pay for the cost of litigation and may cost the state more revenue in the long run and leave the state deeper in debt.

Imposing the full retail rate of the general excise tax on nonprofit, religious, education and health organization will, no doubt, increase the cost of delivering these services and may in fact drive those

nonprofits that already live on the edge to the brink of closure.

While this measure is proposed to extract additional revenues to address the state's fiscal crisis, it should be remembered that the adoption of measures like this that temporarily propose a "tax increase" on certain transactions, will not be effective unless government expenditures are also curtailed. Elimination of many of these exemptions or exclusions would come at a bad time as the state's economy struggles to come back from the devastation of economic recession. Adding to the cost of doing business and living in Hawaii may just stall economic recovery, prolonging the downturn in state revenues.

As Hawaii families have tightened their collective belts during these difficult times, so should federal state, and county governments. Before adding additional burdens to Hawaii's overburden taxpayers, both businesses and individuals, state policymakers need to put all programs and services on the table and decide which are really "core" services and which are "nice but not necessary to have" and then rearrange the allocation of resources so that it is only the "core" services that are funded. With many programs now funded through special funds, lawmakers do not have that opportunity to set priorities. Eliminating the general excise exclusions and exemptions for temporary gain may have a more dire consequence in the long run.

That said, this measure underscores the depth and breadth of the financial crisis that the state faces. The point to be made here is that unless elected officials rein in the size and cost of running government in Hawaii, such desperate measures, as this bill represents, may have to be adopted and in doing so will destroy the economic base of the state. This is not a compromise situation but an either or situation, either expenditures are right-sized or the state's economy is put out of business.

Digested 2/24/11





**Testimony to the House Committee on Finance  
Friday, February 25, 2011  
6:00 p.m.  
Conference Room 308  
Agenda #8**

**RE: HOUSE BILL NO. 799 (PROPOSED HD1) RELATING TO TAXATION**

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

The Chamber of Commerce of Hawaii ("The Chamber") does not support HB 799 Proposed HD1 relating to Taxation.

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.

House Bill 799, proposed House Draft 1, suspends temporarily 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 4% rate. Effective 07/01/11 and sunsets on 06/30/15.

The Chamber acknowledges the intent of the bill and the Legislature's concerns about tax credits and exemptions. However, we are concerned about the temporary suspension of the exemptions. This may have a serious impact on the overall economy and create a volatile effect on businesses and non-profits, especially as many have their budgets determined and forecasted. These credits and exemptions are critical especially as many small businesses and non-profits, operating on limited resources, are experiencing declining federal and state support.

Also, many of the tax credits and exemptions help stimulate economic activity for start-up industries, or provide support to existing industries so that they can continue to provide jobs and other benefits, and stay competitive in this global economy, which in turn, generate revenues for the State.

Thank you for the opportunity to submit testimony.

The Twenty-Sixth Legislature  
Regular Session of 2011

HOUSE OF REPRESENTATIVES  
Committee on Finance  
Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee, Vice Chair

State Capitol, Conference Room 308  
Friday, February 25, 2011; 6:00 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 799, PROPOSED HD1  
RELATING TO TAXATION**

The ILWU Local 142 opposes H.B. 799, proposed HD1, which temporarily suspends exemptions for certain persons and certain amounts of gross income or proceeds from the general excise tax and use tax and requires the payment of the tax at a 4% rate. The law would take effective 7/1/11 and sunset on 6/30/15.

The ILWU Memorial Association, a labor organization which is Local 142's landlord, will be affected by this bill as it will tax previously exempted rent received by the Memorial Association at 4%. The original H.B. 799 called for a temporary 1% GET payment. For most organizations previously exempted, 1% can be seen as a reasonable compromise in the spirit of "shared sacrifice" for a temporary period. However, a 4% GET on previously exempted transactions seems a bit steep.

We are also concerned that this temporary taxation may not be temporary after all. There is no guarantee that the exemption, once removed, will not remain removed. We hope the Legislature will not see the tax on these transactions as another revenue source with which to, not only balance the budget but provide for new expenditures. We ask that you provide some consideration for those organizations that are not-for-profit.

The ILWU urges that H.B. 799, proposed HD1, be held. Thank you for the opportunity to share our views and concerns.



UNIVERSITY OF HAWAII  
**FOUNDATION**

Testimony Presented Before the  
House Finance Committee

February 25, 2011

by

Donna Vuchinich

President and CEO, University of Hawai'i Foundation

**RE: HB 799. Proposed HD 1, Relating to Taxation**

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

We strongly oppose HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue (with some revenue category exceptions) for all entities, referenced in HRS 237-23 (a) 3– 10. Our primary concern is over the taxation of charitable nonprofits.

Nonprofit organizations earn tax exempt status because they provide the many programs and services that are critical to the health and wellbeing of our island residents. These are necessary programs that our government sector does not provide. The nonprofit sector provides innovative programs that help individuals and families access vital support they need; other nonprofits embrace environmental and conservation missions to ensure the natural resources are sustained and our children have a viable future with a quality of life in our state. Our history and culture too are preserved through the efforts of nonprofits.

We ask you to keep in mind the financial contributions nonprofits are already making to our State's economy. These include:

- Nonprofits pay General Excise Tax on gross revenues derived from fundraisers which support the mission of the organization.
- Nonprofit organizations receive much of their funding through fundraising. Most households support fundraising activities using income earned from wages. All such income is already subject to both federal and state taxes.
- Nonprofits pay unrelated business income tax on for profit ventures.
- Nonprofits pay approximately \$1.45 billion in wages that get taxed on the federal and state level.

HB 799, Proposed HD 1 significantly compromises the ability of nonprofit organizations to deliver on their charitable missions and erodes the state's social safety net. We strongly oppose this measure and ask you to hold this bill.

Thank you for the opportunity to provide testimony.



**OUTRIGGER**  
**ENTERPRISES GROUP**

*Hospitality • Retail • Development*

HOUSE OF REPRESENTATIVES  
THE TWENTY-SIXTH LEGISLATURE  
REGULAR SESSION OF 2011

COMMITTEE ON FINANCE  
Rep. Marcus Oshiro, Chair

HB 799 Proposed HD 2  
Relating to Taxation

Chair Oshiro and Members of both Committees.

My name is Max Sword, here on behalf of Outrigger Hotels Hawaii, with some concerns on this bill.

The two paragraphs that we are concerned about are the following:

4) Amounts deducted from the gross income of real property lessee because of receipt from sub lessees, as described under section 237-16.5.

We believe that this will hurt the small business owners, because the small business owners are the ones who are your typical sub-lessee. Take a walk around Waikiki, that is very evident.

19) Taxes on transient accommodations imposed by Chapter 237D and passed on and collected by operators holding certificates of registration under the chapter as described under section 237-243(8).

This proposed section, would levy the GET on the TAT, which would essentially increase the tax assessed for a hotel room. The hotels are being assessed 2% more TAT than 2 years ago a burden the industry can ill afford to be saddled with. We have a hotel room tax that is now equal or is higher than that of cities that are primary "business" type cities, such as Los Angeles and Chicago.

How much more can the goose that lays the golden egg be asked to squeeze out more eggs?

Thank you for allowing me to testify.



DISTRICT 50 • HAWAII  
**THE INTERNATIONAL ASSOCIATION OF LIONS CLUBS**

LION CHRIS TAMURA • DISTRICT GOVERNOR  
W 808-235-7214 • ctamura@hawaii.rr.com



February 25, 2011

Hawaii State Legislators

District 50 Hawaii Lions is an all volunteer service organization of approximately 1,800 service minded men and women throughout the State of Hawaii. We assess membership dues to each of our 65 clubs in the State. Clubs in turn assess dues to their individual members. These dues are assessed to administratively operate our District and clubs. Our level of services touches all corners of the State of Hawaii and provides much needed services (like vision and hearing screening for our children) where our government and communities are unable to.

We are opposed to HB 799 as it will impose an undue financial and administrative burden to all clubs and members in our District. We provide our time, energy and financial resources in the name of volunteerism and to assess a further tax on our efforts is very unfair.

This additional tax is effectively an 8% increase to each of our members since the tax would be applied to dues at the District as well as club levels. Taking it further, each club in our District holds at least one to two meetings a month. These meetings typically offer a meal so there is a charge to the membership to cover the costs of the meals. To tax our clubs meal costs again is unfair and will impose another administrative burden to the clubs. The vendor providing the meal is already paying the tax on its proceeds so why should we pay this tax again? Our annual convention to conduct necessary organizational business also charges a fee to our membership to cover the costs of the meeting. Similar to clubs' meals, the fee is to merely cover the cost of the meeting and not to run a profit or surplus.

Honorable legislators, please recognize that volunteer organizations like Lions Clubs provide valuable services to the communities and individuals in the State of Hawaii without any benefit or compensation. To tax our volunteer efforts jeopardizes what we can provide as an organization due to the added cost and administration. We respectfully request that you also oppose HB799 and allow volunteer organizations to continue to provide our State the needed service our citizens deserve and are entitled to.

Sincerely,

Chris Tamura  
District Governor  
District 50 Hawaii Lions

**A Vision With Passion**

## GOODSILL ANDERSON QUINN &amp; STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:  
GARY M. SLOVIN  
ANNE T. HORIUCHI  
MIHOKO E. ITO  
CHRISTINE OGAWA KARAMATSU

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  
shoriuchi@goodsill.com  
meito@goodsill.com  
ckaramatsu@goodsill.com

**TO:** Representative Marcus Oshiro  
Chair, Committee on Finance  
Hawaii State Capitol, Room 306

**FROM:** Gary M. Slovin

**DATE:** February 24, 2010

**RE:** H.B. 799, Proposed HD1 – Relating to Taxation  
Hearing on Friday, February 25 at 6:00 p.m., Room 308, Agenda #8

---

Dear Chair Oshiro and Members of the Committee on Finance:

I am Gary Slovin, testifying on behalf of Covanta Energy Corporation, the operator of the HPOWER waste-to-energy facility at Campbell Industry Park. The construction of the third boiler is well underway, providing many good-paying construction jobs.

Covanta respectfully **opposes** pg. 6, lines 20-22, continuing onto pg. 7, lines 1-2, as well as pg. 12 lines 14-16 of H.B. 799, Proposed HD1. This would suspend the general excise and use tax exemptions that 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 suspension of these sections would be borne by taxpayers of the City and County of Honolulu. Accordingly, the suspension of the exemptions would not increase the funds available to reduce the deficits being faced by both State and County governments.

Therefore, we oppose the suspension of these sections.

Thank you very much for the opportunity to submit comments.



HOUSE COMMITTEE ON FINANCE  
Rep. Marcus Oshiro, Chair

Conference Room 308  
Feb. 25, 2011 at 6:00 p.m. (Agenda #8)

**Opposing item #18 in Section 2 of HB 799 HD 1 Proposed.**

The Healthcare Association of Hawaii advocates for 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. Our members employ more than 40,000 people statewide, delivering quality care to the people of Hawaii. Thank you for this opportunity to oppose item #18 in Section 2 of HB 799 HD 1 Proposed, which suspends of the exemption from the general excise tax (GET) for prescription drugs.

The GET is imposed on gross income that providers of goods and services derive from business activities in Hawaii. Currently, the sale of certain goods and services are exempt from the GET, including prescription drugs. In that regard, Hawaii is not unique. Although the great majority of states collect sales taxes instead of a GET, most of them exempt prescription drugs from sales taxes.

Many individuals take prescription drugs for chronic medical conditions, such as heart disease, diabetes, chronic obstructive pulmonary disease (COPD), and asthma, that have life or death implications. The exemption from the GET for prescription drugs is intended to allow as full access as possible to these life-sustaining drugs. The application of the GET to prescription drugs will only increase the barrier to obtaining necessary prescriptions. According to a study published in the Annals of Internal Medicine, cost is the strongest predictor of prescription abandonment. Without the exemption, the health status of Hawaii's population can be expected to decline and could lead to an increase in the utilization of emergency rooms.

For the foregoing reasons, the Healthcare Association opposes the suspension of the exemption from the GET for prescription drugs.



RECEIVED

2011 FEB 24 P 5:29

SERGEANT-AT-ARMS  
HOUSE OF  
REPRESENTATIVES

February 24, 2011

House Committee on Finance  
The Honorable Marcus R. Oshiro, ChairVia Facsimile: 586-6201; 586-6101; 586-6500RE: HB799 and HB799 HD1 Relating to Taxation  
HEARING: Friday, February 25, 2011, 6 p.m.

Chair Oshiro and Members of the House Finance Committee:

The Hawaii State Bar Association (the HSBA) submits this testimony in opposition to the provisions in HB799 and HB799 HD1 which would repeal the GET exemption for nonprofit organizations in certain areas and apply a tax at a one per cent rate.

The HSBA expresses its concern and opposition to the proposed measures of HB799 and HB799 HD1 which would result in a tax on revenues from educational conferences and potentially gross income received by nonprofit organizations, including the legal service providers, most of which have already suffered diminished revenues from the Legislature and from public and private funding. The likely result of this proposal would be further cuts in programs and services by these and other nonprofit entities whose programs and services to the public are critical at this time. If nonprofit organizations are unable to provide services, the public will be forced to seek these services at a much greater cost from commercial providers driving up expense, or they will do without.

In addition, the HSBA opposes HB799 and HB799 HD1 in that these measures would directly affect the HSBA, which as a 501(c)(6) entity currently pays GET only on revenues unrelated to the purpose of the organization, to promote justice, serve the public and improve the legal profession. Assessment of taxes on HSBA gross revenues would likely result in reduced services in the area of community and access to justice programs, given that mandated regulatory functions cannot be readily reduced. Further, HSBA would also possibly be liable for assessments on fees collected for third parties from which the HSBA receives no economic benefit, namely the Office of Disciplinary Counsel, the Lawyers Fund for Client Protection, and the Lawyers and Judges Assistance Program.

Thus, while recognizing the desire of the Legislature to increase revenues, the HSBA opposes H.B.2877 as it is an unjustifiable incursion into the exempt tax status of these nonprofit organizations, taxing the very educational and charitable functions for which they were formed. The bill would also result in further diminished social and legal services provided to the needy in our community.

Thank you for your attention.

Handwritten signature of Louise K.Y. Ing in black ink.

Louise K.Y. Ing  
President

Handwritten signature of Lyn Flanigan in black ink.

Lyn Flanigan  
Executive Director





## HAWAII COMMUNITY FOUNDATION

February 24, 2011

The Honorable Marcus Oshiro, Chairman  
House Finance Committee  
House of Representatives  
Honolulu, Hawaii 96813

Dear Chairman Oshiro & Finance Committee Members:

### **HB799 –HD 1 Relating to Taxation**

Hawai'i Community Foundation strongly opposes proposed House Draft 1 of HB 799, Relating to Taxation. We understand it is your responsibility to balance the state's budget and during these austere economic times we all must "share the pain." However, this measure, as proposed, eliminates the General Excise Tax exemption for all charitable and educational exempt organizations with the exception of religious organizations. It places a significant burden on nonprofits many of whom are already faced with the challenge of meeting increasing demand for their services with fewer and fewer resources.

Most nonprofits provide a service that relieves some burden that would otherwise fall to federal, state, or local government to handle. The government relies on nonprofits to serve community needs that the government cannot, or chooses not to, address on its own. Unlike other service providers, nonprofits cannot simply pass the General Excise Tax liability on – they are often serving the poorest of the poor. The services they provide are crucially important during tough economic times such as these. The adverse effects of a gross tax on revenue on the viability and effectiveness of many of our nonprofits would be counterproductive and cost more to the community than the taxes it would generate.

We urge your rejection of this measure and by doing so, support Hawaii's nonprofit sector.

Thank you for your consideration.

Sincerely yours,

Katharine P. Lloyd  
General Counsel and Vice President of Operations

# ***SAH - Subcontractors Association of Hawaii***

***1188 Bishop St., Ste. 1003\*\*Honolulu, Hawaii 96813-3304***

***Phone: (808) 537-5619 ✦ Fax: (808) 533-2739***

February 25, 2011

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

Presented By: Tim Lyons  
President

Subject: H.B. 799, Proposed HD 1 – RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii and we oppose this bill. Our testimony today represents the collective thoughts of nine (9) separate and distinct subcontracting associations:

ELECTRICAL CONTRACTORS ASSOCIATION OF HAWAII  
HAWAII FLOORING ASSOCIATION  
HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION  
PACIFIC INSULATION CONTRACTORS ASSOCIATION  
PAINTING AND DECORATING CONTRACTORS ASSOCIATION  
PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII  
ROOFING CONTRACTORS ASSOCIATION OF HAWAII  
SHEET METAL CONTRACTORS ASSOCIATION OF HAWAII  
TILE CONTRACTORS PROMOTIONAL PROGRAM

Section 237- A(a)(1) was provided because it is inherently unfair to have a general contractor hire a subcontractor, tax the general contractor on the gross proceeds paid to him and then turn around and tax the subcontractor on the amounts that the general contractor pays to the subcontractor. This is probably one of the truest forms of "taxing the tax". Additionally, the repeal of Section 237- A(a)(2) will only promote a disadvantage to local contractors to that of mainland contractors when doing federal work.

While we recognize the need for income by the State, we don't feel that this is the way to get it. The construction industry faces a huge underground problem as has been discussed in this Committee before and paying an additional 4% (or 4½%) on your gross income will certainly provide the incentive for even more contractors to go underground and not report their income at all. Contractors can give you a whole list of jobs where they did not make 4% on the job while the state government, as this bill proposes, makes 8% on a subcontractors portion. The State will be making more money on the job than the subcontractor himself which, we believe, then provides them every reason in the world to go underground. As we have pointed out before, if State government could find a way to go after unlicensed activity and get the 4% (or 4.5%) that is due, you would solve a good deal of your financial problems.

Based on the above, we cannot support this bill.

Thank you.

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



HEARING      Friday, February 25, 2011  
6:00 pm  
Conference Room 308  
State Capitol, Honolulu, Hawaii 96813  
Agenda #8

**RE:    HB799, Proposed HD1, 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 opposes HB799, Proposed HD1**, which temporarily suspends the exemption 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 four per cent rate, and is effective from July 1, 2011 through June 30, 2015. Our comments are **specific to Section 2, (5) and (26)**,

**Section 2, (5)**, addresses the value or gross income received by non-profit organizations from certain conventions, conferences, trade shows or display spaces.

In fiscal year 2009, retail revenues in the state of Hawaii declined by \$1.9 billion dollars from the previous year. General Excise Tax reports from the Department of Taxation through September indicate an increase of about \$600 million; however, the recovery is still tenuous. Because the financial support for RMH, not unlike that of other not-for-profit organizations, is inextricably interwoven with the performance 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.

Our annual conference affords an opportunity to inform and educate our industry in a timely manner on issues topical and relevant to the operations of their businesses. Our exhibit show provides a venue for our supporting non-retail members to network with and to provide valuable resources to the retail industry. Taxing our revenue from these sources imposes yet another burden on the organization. It is regrettable that RMH, founded in 1901, might not survive another year.

**Section 2, (26)** addresses the amounts received as beverage container deposits collected under chapter 342G, part VIII. The five-cent deposit is a pass-through fee: 1) paid initially by the manufacturer/distributor to the State; 2) passed on to the dealer; and 3) finally passed on to the consumer, who then recovers the five-cent deposit when the container is redeemed. While it is unclear as to whether the suspension of the exemption and imposition of the four percent GET will be on all levels, what is clear is that the greatest burden will be on the consumer.

We urge you to hold HB799, Proposed HD1. 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



COALITION FOR A  
TOBACCO-FREE HAWAII

To: Chair Marcus R. Oshiro  
Vice Chair Marilyn B. Lee  
Members, House Committee on Finance  
From: Deborah Zysman, MPH, Executive Director  
Date: February 25, 2011  
Hrg: House Cmte on Finance; February 25, 2009 at 6:00 p.m.  
Re: **Strong Opposition to HB 799, Proposed HD 1 §2 (ref §237-A(a)(6))  
Relating to Taxation**

---

Thank you for the opportunity to testify in opposition to Section 2 of HB 799 Proposed HD 1 that references the proposed Section 237-A(a)(6).

The Coalition for a Tobacco Free Hawaii (Coalition) is the only independent organization in Hawaii whose sole mission is to reduce tobacco use through education, policy and advocacy. Our organization is a small nonprofit organization of over 3,000 partner organizations and advocates that works to create a healthy Hawaii through comprehensive tobacco prevention and control efforts.

Like other Hawaii nonprofits, our organization works in communities to provide services through unique and economical ways. This measure would impact our organization and other nonprofits significantly. The proposed Section 237-A(a)(6) would tax gross income or gross proceeds of sale received by nonprofits, and the many nonprofits we work with to reduce tobacco use in our state.

Nonprofits rely on fundraising events and the sale of items to bring in much needed funds for their work. As donations and other sources of financial support shrink and State funding is diverted, nonprofits are relying heavily on finding other sources of funding to sustain the work we do—work the State cannot do and work our communities need.

This measure would impact our ability to engage in unique community programs and plan long-term for smart policies on tobacco in Hawaii.

Please hold this measure in Committee. Thank you for the opportunity to testify on this matter.



ALOHA SOCIETY OF ASSOCIATION EXECUTIVES  
ASAE-Hawaii  
P.O. Box 282  
Honolulu, Hawaii 96809-0282

February 25, 2011

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

Presented By: Tim Lyons  
Legislative Chairman

Subject: H.B. 799, Proposed HD 1 – RELATING TO TAXATION

Chair Oshiro and Members of the Committee:

I am Tim Lyons, Legislative Chairman of the Aloha Society of Association Executives and we oppose this bill.

We understand that the state is short of money and is in a dire situation however, we do not believe that the way to make it up is by taxing the activities of non-profit organizations, particularly as it relates to the value or gross income received for conferences, trade shows or display spaces (237-A(a)(5)).

The Internal Revenue Code recognizes that in some cases, non-profit organizations might go outside of their mission and in those cases it has established UBIT or Unrelated Business Income Tax which is intended to tax non-profit organizations when they are performing activities NOT in accordance with

their "true non-profit status" and we can certainly understand those situations. This bill however, says "we don't care if you are doing what you are supposed to be doing for a tax exemption; we still want to tax those proceeds".

Non-dues income for associations typically derived from trade show or conference income are a necessary part of an association's income and revenue stream. It is at these conventions and conferences that non-profit groups actually fulfill their very purpose which is to provide education for its members and the furtherance of that profession. We believe it disingenuous to tax organizations for fulfilling the very purpose for which a tax exemption has been provided. All this does is complicate the production of that convention or trade show and the organization will have to pass that cost along. Trying to sell exhibit space now to mainland companies is an extremely difficult sell given the fact that most of them have to ship or transport products or information to Hawaii in order to display. Exhibitors from many associations oftentimes tell us that our exhibit rental space rates are high in comparison to other states.

Based on the above, we do not believe that this is a proper source of income for the State and it is based on that, that we oppose this bill.

We have attached a listing of our membership to this testimony who would agree with us that this is an improper measure.

Thank you.

## **Aloha Society of Association Executives – Hawaii Chapter** **Membership List**

AlohaCare  
Building Industry Association of Hawaii  
Expert Event Planners of Hawaii  
General Contractors Association of Hawaii  
Hawaii Association of Independent Schools  
Hawaii Association of Realtors  
Hawaii Bankers Association  
Hawaii Convention Center  
Hawaii Credit Union League  
Hawaii Food Industry Association  
Hawaii Insurers Council  
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  
Kaua'i Visitors Bureau  
Legislative Information Services of Hawaii  
LH Hospitality Group, LLC  
Mid-Pacific Country Club  
National Association of Insurance & Financial Advisors Hawaii  
Organizations Management, LLC  
Pacific Telecommunications Council  
Painting & Decorating Contractors Association  
Plumbing & Mechanical Contractors Association  
Presentation Resources  
PROcom Hawaii  
Retail Merchants of Hawaii  
Sand Island Business Association  
Sheet Metal Contractors Association  
SMEI Honolulu  
Hawaii Association of Broadcasters  
The Legislative Center, Inc.  
Waikiki Improvement Association  
Waikoloa Beach Marriott





February 25, 2011

Testimony to the  
House Committee on Finance in Opposition to  
HB 799 HD1 (Proposed), "Relating to Taxation"

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

I am Sandra Weir, Director, Hawaii Operations for NCL America LLC (NCL), I appreciate the opportunity to provide NCL's testimony on HB 799 "A BILL FOR AN ACT RELATING TO TAXATION"

NCL began cruising in the Hawaiian Islands in 2002 and has made a year round commitment to this market utilizing US Flagged cruise ships. NCL operates in a very competitive, price sensitive market. Over the past few years we have seen many price increases affect our business here in Hawaii, we have absorbed the increases and continued to bring economic benefit to the state. As a domestic flag vessel NCL continues to pay taxes and fees to the state and county including general excise, payroll and fuel taxes, adding to the overall cost structure.

While NCL recognizes the need for the State of Hawaii to obtain additional income, the removal of exemptions in the maritime area will further burden the cost of operations for a US Flagged ship if the stevedoring and tug expenses tax exemption is removed and a 4% tax is levied. NCL, in the past, has also engaged in dry dock repairs at Pearl Harbor, instead of sailing to the West Coast to have the work contracted on the mainland. We have continued to support the Hawaii maritime industry by contracting with local companies to perform the large-scale repairs and upgrades completed during dry docks. Removing the exemption on ship repairs would unduly burden the company and make it cost prohibitive to continue to contract the work locally.

The committee should also consider the levels of taxation that are assessed at each level in the process of purchasing goods locally, transporting them to the harbor, then securing them on the vessel. This can easily result in GET taxation being assessed multiple times on the same service. The current exemption limits this from happening today in, but its removal could result in multiple levels of taxation on the same products.

NCL remains committed to building a strong US flag cruise business home ported in Hawaii, however we cannot continue to absorb additional costs and remain viable. Consumers have become very discriminating when booking their travel and there are many alternatives; the proposed tax levy fee coupled with the high cost of airfare to the islands, will give other destinations a competitive advantage and place additional burdens on the industry.

Thank you for the opportunity to present testimony in opposition of HB 799 before your committee. If this bill proceeds we urge you to maintain the current exemptions for stevedoring services (loading and unloading of cargo); tugboat and towage services; loading, transportation and unloading of agricultural commodities; and shipbuilding and ship repair services.



100 - 1111 West Hastings Street  
Vancouver, BC V6B 4N6  
Phone: 604-681-9515  
Fax: 604-681-4364

NORTH WEST &  
CANADA CRUISE  
ASSOCIATION

February 25, 2011

**TESTIMONY TO THE HOUSE COMMITTEE ON FINANCE**  
**IN OPPOSITION TO**  
**HB 799 HD 1 (Proposed), "RELATING TO TAXATION."**

Aloha Chair Oshiro, Vice Chair Lee, and members of the Committee.

Thank you for this opportunity to testify on HB 799 HD 1 (Proposed), "Relating to Taxation."

I am Donna Spalding, Director Administration of the North West and Canada Cruise Association (NWCCA), a trade association of eleven major cruise lines operating in Hawaii, the Pacific Northwest, Canada and Alaska. Our member lines include the following companies: Carnival Cruise Lines, Celebrity Cruises, Crystal Cruises, Disney Cruises, Holland America Line, Norwegian Cruise Line (incl. NCL-America), Oceania Cruises, Princess Cruises, Regent Seven Seas Cruises, Royal Caribbean International, and Silversea Cruises.

Our member lines bring hundreds of thousands of cruise visitors to Hawaii, support thousands of local jobs, and contribute an estimated \$475 million annually to the state's economy.

Today we are here to provide testimony in opposition to HB 799 HD 1 (Proposed), which would temporarily suspend the tax exemptions for a multitude of services listed in Chapter 237 of the Hawaii Revised Statutes on July 1, 2011 and impose a 4% tax until June 30<sup>th</sup>, 2015. For the cruise industry, this would dramatically increase the cost for items such as pilotage, stevedoring, tugboat services, and ship repairs.

On behalf of our member lines we are concerned about what impact the levy of the proposed tax may have on cruise tourism in Hawaii.

Our major concerns are as follows:

- 1. Like other segments of the travel and tourism industry, the cruise sector is extremely price sensitive.**

NWCCA Members Lines:

Carnival Cruise Lines • Celebrity Cruises • Crystal Cruises • Disney Cruise Line • Holland America Line • Norwegian Cruise Line • Oceania Cruises • Princess Cruises • Regent Seven Seas Cruises • Royal Caribbean International • Silversea Cruises

To a degree never seen before, consumers are considering the total cost of a vacation when making their travel decisions including not only the cost of the cruise, but other costs such as transportation to embarkation ports, shore tours and government taxes and fees.

It has been illustrated in other markets that cost increases can have an impact on cruise traffic. For example, another long-distance destination, Alaska, was dramatically impacted by the introduction of new fees and taxes imposed by the state. Traffic there over the past two seasons (2009/2010) has declined by 15%.

Given these difficult economic times and the importance of tourism to Hawaii, now is not the time to levy taxes and increase costs.

**2. Our industry has already been assessed additional costs in the form of large fee increases by the Dept. of Transportation for projects that will be of no direct benefit to us, and more increases are forthcoming.**

Last year, our DOT harbor fees were increased across the board in order to help finance the Harbors Modernization Plan (HMP). Our passenger fees will increase dramatically this July and go up annually thru 2016. For NCL-America, the primary cruise operator in the state, the first increase will be on the order of 140% of the current fee structure.


**3. The repeal of the tax exemptions and levy of the 4% tax are being proposed without first studying the impacts of doing so.**

HB 1270 proposes that the State first review the economic impacts of the existing tax exemptions and credits and present the results to the Legislature prior to the beginning of the 2012 session. This is a reasonable approach that we recommend be incorporated into HB 799 HD 1.

In conclusion, we are concerned that the proposed tax levy, coming on the heels of the past and future DOT fee increases and without first studying the impacts of doing so, will make Hawaii a less attractive cruise destination, especially when compared to destinations that can be served with shorter, less expensive itineraries or destinations that have access to large drive-to markets.

Thank you for this opportunity to present testimony before your committee.

Regards,



Donna Spalding,  
Director, Administration

NWCCA Members Lines:

Carnival Cruise Lines • Celebrity Cruises • Crystal Cruises • Disney Cruise Line • Holland America Line • Norwegian Cruise Line • Oceania Cruises • Princess Cruises • Regent Seven Seas Cruises • Royal Caribbean International • Silversea Cruises



To: The Honorable Marcus Oshiro, Chair  
House Committee on Finance

From: Laura Robertson, President/CEO  
Goodwill Industries of Hawaii, Inc.

Date: February 24, 2011

**Re: Testimony strongly opposed to H.B. 799, HD1 – Relating to Taxation**

Goodwill Industries of Hawaii, Inc. is strongly opposed to this measure which will temporarily vitally important tax exemptions, and levy's of four per cent tax rate on various activities that will affect Goodwill and other non-profits.

We are aware of the State's fiscal crisis which affects all of us, and the need for all of us to pull together, however, with the recent funding reductions of non-profits, and our own challenges of paying for increased costs such as insurance increases, lease and utility costs, and a wide array of additional operating cost increases, if passed, this measure has the ability to significantly impair our ability to continue to operate in a fiscally sound manner.

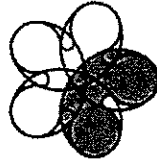
The services that nonprofits, including Goodwill Industries of Hawaii, provide the community warrants the tax exemptions the State has provided throughout the years. Nonprofits have not been immune to funding cuts and the resulting staff level impacts. Yet, social service agencies have been asked to step up their service levels to the community. The number of people served through Goodwill's employment services programs increased by more than 12% last year, due to the current economic conditions of our State.

Our community continues to be challenged by economic forces beyond our control. The number of people who have been laid off from their jobs and are reaching out to Goodwill for help in finding other employment continues to grow.

The government provides tax exemptions to nonprofits with the recognition that the nonprofits provide valuable services to the community. If we have to curtail services or make additional staff reductions to be able to afford to pay taxes we previously were exempt from, the people in our community will turn to the government for these services, or worse, they will be forced to choose between buying food, paying their electric bill, or paying rent. Our beaches and parks and street based "tent cities" are increasing as the results of this crisis to date.

Now is not the time to limit a nonprofit's ability to serve the most vulnerable people in its community and help their families achieve or maintain self-sufficiency. For these reasons, Goodwill is strongly opposed to this bill.

Thank you for this opportunity to provide testimony on this matter.



## National Kidney Foundation™

of HAWAII

Email to [FINtestimony@capitol.hawaii.gov](mailto:FINtestimony@capitol.hawaii.gov)

Date: February 24, 2011

To: Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair  
State House Finance Committee members

From: Glen Hayashida, CEO  
National Kidney Foundation of Hawaii

Hearing: Friday, February 25, 2011, 6:00 p.m.  
Conference Room 308

Re: Opposition to HB 799, Relating to Taxation

Chair Oshiro, Vice Chair Lee, and members of the State House Finance Committee, thank you for the opportunity to testify in **opposition** of HB799, which would repeal certain tax exemptions currently given to nonprofit organizations in Hawaii. My name is Glen Hayashida and I am the CEO of the National Kidney Foundation of Hawaii. Our mission focuses on the prevention of kidney failure, provide support services for dialysis patients, and raise awareness about the need for organ donation in Hawaii.

Nonprofit organization exists solely to provide programs and services that are of public benefit. Often these programs and services are **not** provided by local, state, or federal entities.

We certainly understand the impact of the downturn of the economy in your attempts to balance the state budget. All nonprofit organizations are struggling with this same challenge of reduced resources and increased demand for services. Even prior to the downturn of the economy; nonprofit organizations, funders, donors, and the general public usually expect nonprofits to provide services more economically and efficiently than the state.

However, the solution is not to add to this challenge and burden by taking the state tax exemption away, even if it is a temporary suspension, from the nonprofit organizations. Taxing us would add tremendously to our costs, serve less people and make us less effective. In some cases, the burden will eliminate services and programs in our community.

We urge you to not to pass H.B. 799. Again, thank you for this opportunity to testify.



FOR YOUTH DEVELOPMENT  
FOR HEALTHY LIVING  
FOR SOCIAL RESPONSIBILITY

February 25, 2011

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

RE: HB 799. Proposed HD 1, Relating to Taxation

**WRITTEN TESTIMONY ONLY**

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

The YMCA of Honolulu (the Y) strongly opposes HB 799, proposed HD 1, which would impose a 4% tax on all gross revenue for those entities listed in HRS 237-23 (a) 3-10.

The Y is concerned that HB 799 could have severe and unintended consequences, including:

1. Reducing or eliminating critical services that the Y provides, especially to the most vulnerable of our community;
2. Requiring the State to provide services at a greater cost;
3. Eliminating Y jobs or reducing the hours and pay of Y staff;
4. Reducing philanthropic giving and/or volunteers.

Attached to this testimony is a one page document which summarizes just some of the services, programs and benefits the Y provides. A 4% tax, as envisioned under HB 799, would directly, and negatively, impact these services, programs and benefits.

The Y recognizes the current fiscal crisis, and appreciates the Legislature's effort to address this critical matter. However, the Y firmly believes that HB 799 would create more problems than it would solve. The Y respectfully requests that the House Finance Committee hold HB 799, and not pass it out of Committee.

Thank you for the opportunity to provide testimony and for your consideration.

Sincerely,

Michael F. Broderick  
President & CEO

Attachment



FOR YOUTH DEVELOPMENT  
FOR HEALTHY LIVING  
FOR SOCIAL RESPONSIBILITY

## **The YMCA of Honolulu, a Tax-Exempt Organization Providing Community Benefit for 142 years**

The YMCA of Honolulu is part of a worldwide movement that is dedicated to putting Christian principles into practice through programs and services that build a healthy spirit, mind and body for all.

### **In 2009, the YMCA provided the following for Oahu communities:**

- A paid workforce of over 1,000 full and part time staff, infusing \$17 million, (\$13.5 million in gross pay, \$2.0 million in benefits and \$1.5 million in payroll taxes), into our economy. More than 320 staff received their medical and dental benefits through the YMCA.
- A volunteer force of over 2,500 individuals, serving in governance, advisory, program and community event capacities that offered training, personal connections and a greater knowledge of their community to those volunteering.
- A gathering place for over 35,000 family households which, through facility, program and sustaining (philanthropic) membership, enhanced personal connection and community building.
- Substance abuse treatment, intervention and crime/drug/gang prevention programs for over 4,000 youth and teens, offering youth needed support and guidance at a critical juncture in their lives.
- \$1.5 million in financial assistance and subsidies giving low income families better access to the pursuit of a healthy lifestyle.
- Strategic collaborations with other organizations including NPAC, DOE, Boys & Girls Club, and the National Military Families Association that helped leverage resources for new community programs.
- Over 300 hours of free or low cost meeting and conference space supporting the community and capacity building efforts of local nonprofit communities.





FOR YOUTH DEVELOPMENT  
FOR HEALTHY LIVING  
FOR SOCIAL RESPONSIBILITY

February 25, 2011

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

RE: HB 799. Proposed HD 1, Relating to Taxation

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

I oppose HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue with exception to contributions. My primary concern is over the taxation of charitable nonprofits.

Nonprofit organizations like the Y require tax exemption because we provide necessary programs and services that the government sector is not willing or able to provide. Nonprofit organizations receiving tax-exempt status are required to carry out their charitable activities that benefit individuals, families, and our community.

The Y receives tax exemption because we provide necessary programs and services that positively impact the lives of families and provide these services more economical efficiency than the government.

The Y and other nonprofit organizations have come under steady increased pressure due to state government cutbacks and an economic climate that has escalated the demand for its programs and services. In addition, the Y would receive less funds during tough economic times because of the manner in which nonprofits raise revenues (primarily through charitable contributions) and an increase in taxation would further undercut their funds.

This proposed tax would cause the Y to possible shorter hours, laying-off of employees, and reduction and/or elimination of services that support the state's most vulnerable and needy citizens.

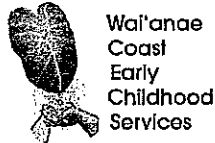
HB 799, Proposed HD 1 fundamentally undermines the ability of the Y to deliver on our charitable mission. I strongly oppose this measure and ask you to hold this bill.

Thank you for the opportunity to provide testimony.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Morris', is written over a white background.

Mike Morris  
President/CEO



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

FROM: Wai'anae Coast Early Childhood Services  
Douglas Mersberg, Executive Director

RE: Opposition to HB 799, HD1 – Relating to Taxation

**HEARING INFORMATION:**

Date: February 25, 2011  
Time: 6:00 p.m.  
Place: Conference Room 308

Chairman Oshiro, Vice Chair Lee and members of the committee:

Thank you for this opportunity to testify on behalf of Wai'anae Coast Early Childhood Services against HB 779, Proposed HD1 that would impose a temporary 4% tax on all gross revenue, except for gifts and donation, for non-profit organizations, except for religious organizations. Our primary reasons for opposition to this bill are as follows:

- We provide early intervention services to approximately 400 infants and toddlers with special needs in Wai'anae, Waipahu, and Wahiawā. We are funded by the Department of Health with funds acquired through state tax revenue. This bill would damage our ability to effectively deliver quality services to our keiki and families. Further it would recollect state tax revenues that have already been collected and distributed.
- The outcome of this bill would be a regressive income tax on those working in the preschool industry or their customers. The majority of preschool employees earn low wages and this bill would lower the amount of funds we have to pay our employees. Since our preschool is located in Wai'anae, we would not be able to pass the cost on to our customers. For those preschools that could, they would be passing the cost on to parents who are at the lower end of their earning potential.
- HB 799 bill would provide an unfair advantage to religious organizations that operate preschools over other non-profit organizations.

Our company delivers quality preschool services to low-income families to assist our children to be ready for school and early intervention services to infants and toddlers with special needs so they can reach their fullest potential. We don't believe that our efforts for the public good should be diminished by the passage of HB 779.

We appreciate your consideration of our testimony.



**PACIFIC GATEWAY CENTER**

February 25, 2011

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

RE: HB 799. Proposed HD 1, Relating to Taxation

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

The Pacific Gateway Center (PGC) is a nonprofit organization that aids refugees, trafficking victims, and immigrants, in a way that is crucial to their survival in Hawaii. Island wide, PGC makes a difference, enhancing clients' quality of life through the various programs in place, such as social services, employment and training services, the retail incubator, and the affordable housing initiative.

We strongly oppose HB 799, proposed HD 1, as it will impose a temporary 4% tax on all gross revenue (with some revenue category exceptions) for all entities, referenced in HRS 237-23 (a) 3 – 10. The proposed taxation of charitable nonprofits is exceedingly distressing to us.

The state and national governments are spared billions of dollars annually by nonprofit organizations and the services they provide. Were it not for these organizations, the government would have the responsibility of providing said services, and in this economic climate, many would have to be forgone. For this reason, it makes no sense for charitable nonprofit organizations, which obtain a great deal of their funds through fundraising, to be taxed for providing essential services to individuals, families, and communities. For in actuality, these are the reasons nonprofits require tax exemption; because they provide necessary programs and services that the government sector is not willing or able to provide.

If HB 799, proposed HD 1 passes, it runs a great risk for the closure or dismissal of nonprofit organizations and their staff, as well as the reduction and/or elimination of services that support the state's most vulnerable and needy citizens. I implore you to stand with us in opposition of measure HB 799, proposed HD 1, and hold this bill.

Sincerely,

Tin Myaing Thein, Ph.D.  
Executive Director



PACIFIC GATEWAY CENTER

February 25, 2011

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

RE: HB 799. Proposed HD 1, Relating to Taxation

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

I am currently working as a student intern at a local nonprofit organization, the Pacific Gateway Center. This organization works with refugees, immigrants and trafficking victims, providing services essential to their successful integration and survival within the many communities of O'ahu.

I oppose measure HB 799, proposed HD 1, with deep resolve, not only because I am passionate about the work that nonprofits do, but also because it violates the 501(c)(3). The climate of our current economy has and still is, taking a toll on just about everyone, but this is no reason to penalize organizations that are performing acts of charity for the public good. In all earnestness, nonprofit organizations these days are indispensable; they strive to provide the services that the government sector is unable or unwilling to provide.

Please do not allow such assets to the community, the state of Hawaii, and the world, to disappear. I ask that you stand by me, and countless others in opposition of measure HB 799, proposed HD 1, and hold the bill.

Sincerely,

Sonia Pietruszka  
Student Intern



February 25, 2011

TESTIMONY ON HB799

Housing Solutions Inc. is a non-profit provider of transitional housing for Oahu's homeless. If a 4% tax were levied on our gross income, the outcome would be disastrous.

Our properties currently operate at break-even cash flow, and because our rents are fixed by government regulations, there is simply no way to increase income to absorb a gross income tax. We would not be allowed to pass on the tax to our transitional homeless tenants

HB799 shows the legislative drafters have little or no understanding of non profit agencies and how they financially constituted. We are strongly opposed to this bill.

Sincerely,

Terry Brooks  
President

## Aloha United Way

1. Vineyard Blvd., Suite 700  
Honolulu, Hawaii 96817-3938  
Telephone (808) 536-1951  
Fax (808) 543-2222  
Website: [www.auw.org](http://www.auw.org)



Aloha United Way

February 25, 2011

Committee on Finance  
Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee, Vice Chair  
Friday, February 25, 2011 at 6:00 P.M.  
Conference Room 308

### **HB 799 HD 1: Relating to Taxation - Testimony in Strong Opposition**

Dear Chair Oshiro, Vice Chair Lee and Committee Members:

Aloha United Way is strongly opposed to HB799 HD 1 which apparently imposes a 4% general excise and use tax on the gross revenues of nonprofits.

The net effect of this bill will be to reduce the funds available for nonprofits to provide their services and, in many cases, these services are contracted by the State. Furthermore, the net reduction will be far greater than 4% because of the imposition of this tax at each step in a series of nonprofit transactions. For instance, Aloha United Way would pay the 4% on our gross revenues including the donations of the community through our annual campaign. When we subsequently distribute the funds we raised to community agencies, they would pay another 4%. Thus, the net impact in this example would be 8%.

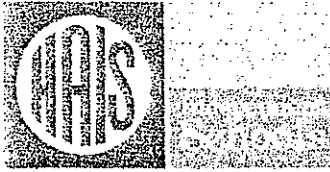
It is also logical to assume that this bill will reduce public motivation to donate since a portion of their donation will go to the state rather than to the intended services for the community.

While we understand the need to raise additional revenue for the state, actions which have the effect of reducing the health and human services needed by the community seems counterproductive. Aloha United Way strongly opposes this bill.

Sincerely,

A handwritten signature in cursive script that reads "Jody Shiroma Perreira".

Jody Shiroma Perreira  
Acting Chief Operations Officer



February 25, 2011  
6:00 p.m.  
Conference Room 308

TESTIMONY TO  
THE HOUSE COMMITTEE ON FINANCE

RE: HB 799 HD 1 (Proposed) – 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 799, HD 1 (Proposed) – Relating to Taxation**, which would suspend the general excise tax exemption for Hawaii nonprofit organizations and schools, and impose a four-percent tax on all gross revenue. Specifically, we are opposed to the following sections:

Section 2 (5) The value or gross income received by nonprofit organizations from certain conventions, conferences, trade shows, or display spaces as described under section 237-16.8

Section 2 (6) Gross income or gross proceeds of sale, but not donations or gifts, received by persons listed under section 237-23(a)(3) to (10)

In challenging economic times such as these, 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.

By imposing a tax on tuition income, Section 2 (6) will increase operating costs for our schools and could result in significant tuition increases. Hawaii's private schools are doing their best to keep costs as low as possible for students and their families without sacrificing instructional quality. With fundraising income for nonprofits already taxable under current State law, the imposition of a four-percent tax on all gross revenue, as proposed by HB 799, HD 1 (Proposed), would only serve to increase the financial burdens on these schools.

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 of approximately \$350 million), and, over the past decade, have made capital expenditures of more than \$750 million for campus construction and renovations.

With respect to Section 2 (5) of the measure, our association, via its affiliate nonprofit the Hawaiian Educational Council (HEC), produces significant conference revenue annually by convening an internationally recognized gathering for policy level executives from the business, philanthropy, education, and social services sectors.

Net revenues from the conference provide funding for our leadership development programs with public school principals via the HEC and our technical assistance work with the Charter Schools via HAIS. The imposition of a four-percent tax will siphon off financial support to these two 501(c)(3) corporations.

For these reasons, we urge the Committee to delete these harmful provisions.

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





**HAWAII HOTEL & LODGING  
ASSOCIATION**

2270 Kalakaua Ave., Suite 1506  
Honolulu, HI 96815  
Phone: (808) 923-0407  
Fax: (808) 924-3843  
E-Mail: [hhta@hawaiihotels.org](mailto:hhta@hawaiihotels.org)  
Website: [www.hawaiihotels.org](http://www.hawaiihotels.org)



33<sup>rd</sup> Anniversary  
Are You Walking???  
May 21, 2011  
(Always the 3<sup>rd</sup> Saturday in May)  
[www.charitywalkhawaii.org](http://www.charitywalkhawaii.org)

**TESTIMONY OF MUFI HANNEMANN  
PRESIDENT  
HAWAII HOTEL & LODGING ASSOCIATION**

**February 25, 2011**

**RE: Proposed HB 799 HD1 Relating to Taxation**

Good evening Chairman Oshiro and members of the House Committee on Finance. I am Mufi Hannemann, President of the Hawaii Hotel & Lodging Association.

The Hawaii Hotel & Lodging Association is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms and individuals. Our membership includes over 150 hotels representing over 48,000 rooms. Our hotel members range from the 2,680 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Hotel & Lodging Association strongly opposes the proposed HB 799 HD1 Relating to Taxation. This measure would remove the exemption currently provided under HRS 237-24 as outlined in paragraph 19. This would assess a General Excise Tax ("GET") on the Transient Accommodation's Tax ("TAT").

Given the difficult times the visitor industry in general and the lodging industry in particular is experiencing, now is not the time to be increasing the cost of doing business. As an example in the last 2 years, total hotel revenue in Hawaii dropped by over \$1 Billion. A tax increase of this sort may generate some funds in the short run, however the unintended consequence of these proposals is likely to be a restructuring of businesses.

In summary, we oppose removing these exemptions from the General Excise Tax ("GET") law and request that you hold this bill.

Again, mahalo for this opportunity to testify.



## Hawai'i Primary Care Association

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

### House Committee on Finance

The Hon. Marcus R. Oshiro, Chair

The Hon. Marilyn B. Lee, Vice Chair

## **Testimony in Opposition to House Bill 799 RELATING TO TAXATION**

**Submitted by Beth Giesting, Chief Executive Officer**

**February 25 2011 6:00 p.m. Agenda, Room 308**

The Hawai'i Primary Care Association is strongly opposed to this measure, which would decrease funds available for organizations that perform charitable work.

While we are acutely aware of the State's budgetary problems due to the poor economy, that economy is also the cause of vastly increased needs for our citizens. Nonprofits that address community needs have almost universally been subject to significant cuts in State funding and problematic delays in payment over the past several years that have strained resources and reduced capacity. Moreover, it seems quite likely that federal funds for our work will also be cut soon. Please spare us this further cut in resources.

Thank you for this opportunity to testify in opposition to this measure.



Hawaii Farm Bureau

F E D E R A T I O N

2343 Rose Street, Honolulu, HI 96819  
PH: (808)848-2074; Fax: (808) 848-1921

February 25, 2011

**TESTIMONY**

**Re: HB 799 HD 1 (PROPOSED) RELATING TO TAXATION**

Chair Oshiro and Members of the Committee :

Hawaii Farm Bureau Federation on behalf of commercial farm and ranch families and organizations in the State is opposed to sections of HB799 HD1 as proposed, suspending certain GET exemptions.

Transportation is a critical part of agriculture in Hawaii. Farmers and ranchers depend on shipping to bring in their inputs and ship out their products. The GET exemption provided to our shipping companies is passed down to our farmers and ranchers. We request that these exemptions be **retained** to help with the viability of farmers and ranchers critical to Hawaii's self sufficiency. The specific section of concern relates to the loading and unloading of interisland agricultural commodities – **Section 2 Subsection (a) items (7) and (9)**.

Additionally, there are other stevedore and shipping related exemptions that affect the cost of shipping. If enacted, these costs will be passed down to the farmers and ranchers, impacting their viability.

During these difficult times, continuation and expansion of exports is critical to bring new revenues into the state. Without dollars originating outside of Hawaii flowing into the State we limit our resources as there is significant outflow for monies from the State. For this reason, we also ask that the exemption for gross proceeds received from tangible personal property shipped out of State (**Section 2, Subsection (a)(32)**) also be retained.

We appreciate your consideration of our concerns. We respectfully request that the two measures above be retained in the GET law. Thank you.

**HB 799 HD1 (PROPOSED)  
RELATING TO TAXATION**

**PAUL T. OSHIRO  
MANAGER – GOVERNMENT RELATIONS  
ALEXANDER & BALDWIN, INC.**

**FEBRUARY 25, 2011**

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

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) on HB 799 HD1 (Proposed), "A BILL FOR AN ACT RELATING TO TAXATION."

This bill suspends, until June 30, 2015, various general excise and use tax exemptions and implements a 4% tax on these items and services. While we understand the fiscal constraints that the Legislature must deal with, we are concerned with the negative impact that this measure may have upon Hawaii's businesses, residents, and economy. Many of the exemptions that are proposed for suspension appear to have been enacted to mitigate multiple taxation of the same revenue and the pyramiding effect of the general excise and use tax. We anticipate that the suspension of these tax exemptions, along with the pyramiding effects of the newly imposed general excise tax on these items, may increase the cost of goods and services to the Hawaii consumer. In addition, the increased costs that businesses are unable to pass on to the consumer due to market circumstances could impact businesses' employment decisions or render the business to be less financially viable, both of which may negatively impact Hawaii's efforts towards economic recovery.

For maritime operations, this bill will suspend tax exemptions for numerous services that are essential for the transportation of goods and materials to Hawaii which include the loading and unloading of cargo and related services (i.e. stevedoring services), shipbuilding and ship repair services, tugboat and pilot services, and the towing of ships, barges, or other vessels. With approximately 98% of Hawaii's imported goods passing through our harbors including consumer goods, motor vehicles, construction materials, and fuel, we anticipate that taxing these essential maritime services may result in an increase in cost to Hawaii's residents and businesses.

Of particular concern is the suspension of the exemption for the loading and unloading of cargo (i.e. stevedoring services) in Section 2, Subsection (a) (15). Should this exemption be suspended and the general excise tax imposed on stevedoring activities, it is anticipated that the cost of virtually everything that is brought into or transported out of the State would be directly increased, resulting in a concurrent increase in the overall cost of living in Hawaii and in our export products becoming less price competitive in the world market place. In addition, with the imposition of the general excise tax on stevedoring services at the initial point of entry of shipments to Hawaii, we anticipate that the inherent pyramiding effect of the general excise tax may further increase the cost of imported goods prior to purchase/use by Hawaii's residents and businesses.

The suspension of the exemption for gross proceeds received from tangible personal property shipped out of State (Section 2, Subsection (a) (32)) is also of significant concern. This exemption, which covers gross proceeds from the manufacturing, production, or sale of products shipped to a point outside of the State

where the items are subsequently resold or otherwise consumed, presently supports and assists Hawaii businesses who export locally made products to other destinations. For HC&S, Hawaii's last sugar plantation, the suspension of this exemption would directly impact the sale of our Hawaii grown and manufactured sugar to the sugar processing facility in the mainland United States. This imposition of the general excise tax on our Hawaii grown sugar may negatively impact the overall financial viability of HC&S and our ability to financially compete with other sugar producers in the market place. We anticipate that other Hawaii products exported for sale may also be similarly impacted.

Should you decide to pass this bill out of your Committee, we respectfully request your consideration to delete from the purview of this bill, the above mentioned general excise and use tax exemptions for stevedoring services (Section 2, Subsection (a) (15)) and for tangible personal property shipped out of State (Section 2, Subsection (a) (32)).

Thank you for the opportunity to testify.

# HAWAII YOUTH SERVICES NETWORK

677 Ala Moana Boulevard, Suite 702 Honolulu, Hawaii 96813

Phone: (808) 531-2198 Fax: (808) 534-1199

Web site: <http://www.hysn.org> E-mail: [info@hysn.org](mailto:info@hysn.org)

Alan Shinn, President

Judith F. Clark, Executive Director

Adolescent Services Program, Kaiser  
Permanent Medical Care System

Aloha House

American Civil Liberties Union of Hawaii

Assistive Technology Resource Ctrs. of HI

Bay Clinic, Inc.

Big Brothers Big Sisters of Honolulu

Big Island Substance Abuse Council

Blueprint for Change

Bobby Benson Center

Catholic Charities Hawaii

Central Oahu Youth Services Assn.

Child and Family Service

Coalition for a Drug Free Hawaii

College Connections

Community Assistance Center

Domestic Violence Action Center

EPIC, Inc.

Family Support Services of West Hawaii

Friends of the Missing Child Center of HI

Hale Kipa, Inc.

Hale 'Opio Kauai, Inc.

Hawaii Behavioral Health

Hawaii Student Television

Healthy Mothers Healthy Babies Coalition

Hina Mauka Teen Care

Hui Malama Learning Center

Kahi Mohala Behavioral Health

Kama'aina Kids, Inc.

KEY (Kualoa-Heeia Ecumenical Youth)  
Project

Kids Behavioral Health

Kids Hurt Too

Kokua Kahi Valley

Kula No Na Poe Hawaii

Lanai Community Health Center

Life Foundation

Marimed Foundation

The Maui Farm, Inc.

Maui Youth and Family Services

Palama Settlement

P.A.R.E.N.T.S., Inc.

Parents and Children Together (PACT)

Planned Parenthood of Hawaii

Queen Liliuokalani Children's Center  
Kona Unit

REAL

Salvation Army Family Intervention Svcs.

Salvation Army Family Treatment Svcs.

Sex Abuse Treatment Center

Susannah Wesley Community Center

The Catalyst Group

The Children's Alliance of Hawaii

Zaikiki Health Center

Women Helping Women

YouthVision

YWCA of Kauai

February 25, 2010

To: Representative Marcus Oshiro, Chair  
And Members of the Committee on Finance

## TESTIMONY IN OPPOSITION TO HB 799 RELATING TO TAXATION

Hawaii Youth Services Network a statewide coalition of more than 50 youth-serving organizations opposes HB 799 Relating to Taxation.

Communities benefit when there is a vibrant array of health and human services to meet the needs of children, elderly, persons with disabilities and families.

Requiring non-profit organizations to pay taxes on revenues such as government contracts, program service fees, and conference registrations will directly reduce availability of essential services to the most vulnerable and needy populations in our state. Every dollar paid in taxes on non-profit revenues is a dollar lost for essential services such as early childhood education, emergency food or shelter, workforce development, or counseling and support to prevent child abuse and neglect. The people served by our non-profit sector are already suffering from cuts in federal and state funding. Please do not force further cuts in our safety net of health and human services.

If non-profits are forced to lay off workers and reduce programs, the economy will suffer. Non-profits contribute more than 41,000 jobs in Hawaii and purchase a wide array of goods and services such as rent, insurance, telecommunications, and supplies. Every dollar paid in taxes will reduce the purchase of goods and services than benefit needy families.

We urge you to find other ways to balance our state budget.

Thank you for this opportunity to testify.

Judith F. Clark  
Executive Director



HB 799

February 25, 2011

To Our Honorable State Legislators:

I wish to express our organization's strong opposition to any increase in taxes upon nonprofit organization even if only temporary.

The Maui Choral Arts Association has been paying GET on applicable income since 2003, the year of our incorporation. In the one year that we attempted to bring in additional income by selling merchandise we did pay both federal and state unrelated business income tax.

We operate on a bare bones budget and provide high quality music education and performances for the people of Maui as well as visitors to our island home. We have hosted choruses from O'ahu and the mainland as part of our annual choral festival and we strive to keep home grown music alive and developing. We hire and pay professional musicians. We hold benefit events for other nonprofit organizations such as the Maui Food Bank, Iao Preschool, Maui Community Band, National Alliance on Mental Illness, Hawaii Public Radio, and other Maui nonprofits serving youth and families in Maui. If we had to pay tax on singer tuition and concert ticket sales we would most probably not be able to help other organizations in the small but meaningful ways that we do.

In the past two years we have experienced a drop in donations from individuals and corporations as the global economy has suffered and yet we find ways to continue. Much of what we achieve is done with volunteer effort. Our concerts not only generate income for us but income for local business in the form of more customers out and about for a cultural event and making a night of it by going out for a meal or buying lei for each other. Our business generates business for others.

As treasurer of this organization I know in excruciating detail how difficult it is to keep an arts organization operating even in the best of times. We do not need yet another hurdle to face.

Increased taxes would have a severely negative effect on not only the Maui Choral Arts Association but the whole network of nonprofits that provide services to all of Hawai'i's communities. I suspect that given the current global economic situation, the unemployment levels in our state and the continuing housing market crisis many nonprofit organizations may not be able to survive increased taxes.

I understand that the state faces a fiscal crisis, as do we all. Please, however, do not try to balance the budget in ways that may destroy organizations that make our communities healthier. These organizations already operate on amazingly tight and efficient budgets.

Sincerely,

For the Board of Directors of the Maui Choral Arts Association  
James Lee, Secretary and Treasurer

#### Board of Directors

Mario Salamone  
President

Mary Lynne Boland  
Vice President

James Lee  
Secretary & Treasurer

Celia Canty  
Artistic & Executive Director,  
'ex officio'

Maui News on May 2, 2007:

*"...the Maui Concert Chorus was superb. Under Canty's direction, the group was tight, balanced and dynamically exciting."*

**MCAA**  
PO Box 1111  
Kihei, HI 96753  
808-870-5560  
MauiChoralArts@hawaii.rr.com  
MauiMusicArts.org

MCAA 501(c)(3) public charity.  
IRS Tax ID - 55-0838100  
Contributions made to MCAA are tax deductible as governed by law.



**BIA-HAWAII**  
**BUILDING INDUSTRY ASSOCIATION**

February 25, 2011

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

**RE: HB 799, HD1 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 799, HD1 Relating to Taxation.**

HB 799, HD1 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. For BIA-Hawaii, the proposed repeal of the GET tax exemption would mean that we would have to pay about \$85,000 in additional taxes and that amount corresponds to the salaries for two full-time employees. We also pay all relevant taxes on the wages and salaries of our employees. BIA-Hawaii pays all of the unemployment insurance and workers compensation insurance that are mandated. If this measure is passed, we are faced with laying off two employees out of the 7 we are down to now.

We had at one time 12 employees but have had to scale back because of the downturn in the economy and the reduction in the number of memberships.

Membership dues pay for only a fraction of our operations. We have two major shows or expos every year and these public events help to defray our cost of operations. In the production of these shows, we pay fees to the companies that set up the venues with booths and carpeting and other equipment and pay the taxes on those fees. In addition, we pay taxes on all of the products and services we secure for these shows. To impose the GET on non-profits on all of their revenues except for gifts and donations will not serve the state well. Imposing the tax will definitely translate to more unemployment and the reduction of services to our membership and to the public. BIA-Hawaii shows such as the Home Building and Remodeling Show are meant for consumer education about the latest trends, products and even the laws governing contracting.

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.

A handwritten signature in black ink that reads "Karen I. Nakamura". The signature is written in a cursive, flowing style.

CEO, BIA-Hawaii

# HISTORIC HAWAII FOUNDATION

**VIA WEB:** [www.capitol.hawaii.gov/emailtestimony](http://www.capitol.hawaii.gov/emailtestimony)

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

**From:** Kiersten Faulkner  
Executive Director, Historic Hawai'i Foundation

**Committee Date:** Friday, February 25, 2011  
6:00 p.m.  
Agenda #8  
Conference Room 308

**Subject:** **HB799 Proposed HD1, Related to Taxation**

On behalf of Historic Hawai'i Foundation, I am writing in opposition to HB799 Proposed HD1, which would impose a temporary 4% tax on all gross revenue (with some revenue category exceptions) for all entities, referenced in HRS 237-23 (a) 3- 10. Our primary concern is over the taxation of charitable nonprofit organizations.

Since 1974, Historic Hawai'i Foundation (HHF) has been a statewide leader for historic preservation. HHF's 850 members and numerous additional supporters work to preserve Hawaii's unique architectural and cultural heritage and believe that historic preservation is an important element in the present and future quality of life, economic viability and environmental sustainability of the state.

During these difficult economic times, the nonprofit community is reeling from both reduced charitable contributions and increased demand for services. As the State has underfunded its historic preservation division, HHF has increased its role in working on federal undertakings, responding to private and corporate inquiries, and assisting historic homeowners.

Like many non-profit organizations, Historic Hawai'i Foundation relies on charitable contributions from members and supporters of its mission. In addition, HHF derives income from grants, restricted contributions, fees for program services, and fundraising events. The generous support of the community members allows the organization to meet its public benefit mission and programmatic goals.

HB799 Proposed HD1 would impose the general excise tax on this gross income. Nonprofit organizations already pay General Excise Tax (GET) on gross revenues derived from fundraisers

---

#### Historic Hawai'i Foundation

680 Iwilei Road, Suite 690 • Honolulu, HI 96817 • Tel: 808-523-2900 • FAX: 808-523-0800 • [www.historichawaii.org](http://www.historichawaii.org)

Historic Hawai'i Foundation was established in 1974 to encourage the preservation of historic buildings, sites and communities on all the islands of Hawai'i. As the statewide leader for historic preservation, HHF works to preserve Hawaii's unique architectural and cultural heritage and believes that historic preservation is an important element in the present and future quality of life, environmental sustainability and economic viability of the state.

and as part of the pass-through prices for goods and services that the nonprofit organization purchases. In addition, nonprofit organizations pay unrelated business income tax on any for-profit activities and pay federal and state taxes on employee wages.

If the proposed HD1 were to pass, many nonprofit organizations would have to further reduce staff or programs. This will result in still deeper impacts to services, add to unemployment, and perpetuate the vicious cycle that the economic situation has caused.

HB 799, Proposed HD 1 fundamentally undermines the ability of nonprofit organizations to deliver on their charitable missions. We strongly oppose this measure and we respectfully request that the committee hold this bill.

---

**Historic Hawai'i Foundation**

680 Iwilei Road, Suite 690 • Honolulu, HI 96817 • Tel: 808-523-2900 • FAX: 808-523-0800 • [www.historichawaii.org](http://www.historichawaii.org)

Historic Hawai'i Foundation was established in 1974 to encourage the preservation of historic buildings, sites and communities on all the islands of Hawai'i. As the statewide leader for historic preservation, HHF works to preserve Hawai'i's unique architectural and cultural heritage and believes that historic preservation is an important element in the present and future quality of life, environmental sustainability and economic viability of the state.

# HOSPICE HAWAI'I

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

RE: **HB 799. Testimony in opposition to Proposed HD 1, Relating to Taxation**

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

Hospice Hawai'i, Inc. is a 501(c)(3) non-profit, independent hospice providing end of life care to individuals with six or fewer months of life. In 2010 we provided care to 672 individuals including infants, children, adult men and women, and the elderly. We operate at a 10% loss annually and have been in business since 1979.

Our operating shortfalls are made up by charitable contributions, primarily from the families of our patients who are grateful for the compassionate, expert care they have received. Sometimes we get enough, sometimes we don't...we are never sure, but we have kept providing the care.

Last year we:

- Absorbed a 50% increase in uncompensated and charity care totaling \$206,000, \$56,000 of which went to Medicaid patients that lost coverage due to a change in benefits.
- Absorbed a 58% increase in workers' comp premiums due to a 2008 re-write of worker class definitions.
- Absorbed a 43% increase in health insurance costs.

A general excise tax of 4% on tax-exempt patient care revenue would cost us another \$250,000. It will not come from Medicare/Medicaid reimbursements. It can only come from charitable contributions.

The community support we receive to provide our services is the purest example of a community taking care of its own and of a civilized society demonstrating its humanity that we know of. **To add this additional burden will seriously weaken our organization's capacity to provide care, especially to the most needy in our community.**

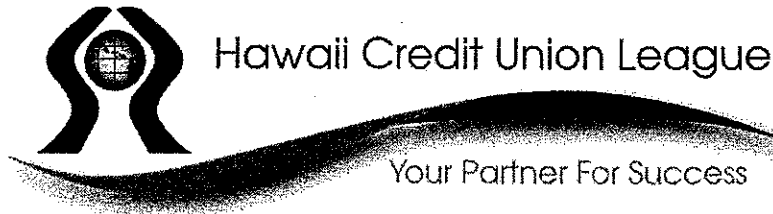
We strongly oppose this measure and ask you to hold this bill.

Thank you for the opportunity to provide testimony.

*(signed)*

Kenneth L. Zeri  
President and CPO

Kim G. Hanson  
Director of Finance and Controller



1654 South King Street  
Honolulu, Hawaii 96826-2097  
Telephone: (808) 941.0556  
Fax: (808) 945.0019  
Web site: [www.hcul.org](http://www.hcul.org)  
Email: [info@hcul.org](mailto:info@hcul.org)



Testimony to the House Committee on Finance  
Friday, February 25, 2011, at 6:00 p.m.

Testimony in Opposition to HB 799, Relating to Taxation

To: The Honorable Marcus Oshiro, Chair  
The Honorable Marilyn Lee, Vice-Chair  
Members of the Committee on Finance

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association representing 85 Hawaii credit unions and their approximately 810,000 members across the state.

We are in opposition to HB 799 (proposed HD1), Relating to Taxation. This bill would temporarily suspend the general tax exemption on gross proceeds received from the sale of tangible personal property to the United States and state-chartered credit unions, levying the tax at the rate of 4%.

Aside from being instrumentalities of the federal government, recognized by being included in the same statutory section providing a general excise tax exemption for purchases of tangible personal property by the federal government, we seek to retain this exemption for the purchase of tangible personal property by credit unions for several reasons:

- Credit unions are not-for-profit, member-owned financial cooperatives with the sole purpose of serving member needs, particularly members of modest means.
- The cost of any tax paid by a credit union is a cost paid by that credit union's member-owners.
- Unlike for-profit financial institutions that are able to access capital from external sources (issuing common or preferred stock for instance), a credit union can add to (strengthen) its capital only by retention of net income.
- As a consequence of only deriving capital from its members, any impairment on a credit union's net income will reduce the ability of a credit union to grow capital needed for safe and sound operations, especially in this troubled economy.

The philosophy of credit unions has always been to first serve those of modest means. The loss of the credit union tax exemption could potentially result in a significant reduction in resources to serve credit unions and their members. The ability of credit unions to offer low-cost services to members will be affected, should this legislation pass.

Thank you very much for the opportunity to comment.



# Hawai'i People's Fund

Change, Not Charity™

February 25, 2011  
Finance Committee  
In strong opposition to HB 799 HD1  
6 pm hearing Room 308

Aloha,

It is rare that our organization will provide testimony at the legislature. However, this measure not only threatens the financial sustainability of Hawaii People's Fund, it strikes directly at the very values we represent.

Hawaii People's Fund is a community based philanthropy. We redistribute donations from community members to grassroots community groups working for justice and social change.

Taxes are supposed to similarly redistribute funds raised from all to support the weakest, the most vulnerable.

In Wisconsin the PEOPLE are rallying to thwart the aims of the super rich against those of public workers. In Hawaii, this body is considering additional tax breaks to multinational corporations and already providing tens of millions of dollars worth of generous marketing services to more multinational corporations.

To help stem the state's deficit budget, services to the poor, ill, and needy are cut. And now nonprofit organizations (to whom many are turning since their state funds are cut) are being asked to give up their tax exemption. This one isn't even "penny-wise."

Please stop this idea in its tracks!

Mahalo,

Nancy Aleck

#### 2010-2011 Board of Directors

Steven E. Brown  
Francis Choe  
Michael Christopher  
Deanna Espinas  
Gordon Fuller  
George Hudes  
Kealoha  
Derrick Kiyabu  
Doua Kue-Morris  
Lina Le  
Annie Moriyasu  
Maxine Robson

#### Grantmaking Committee

Trevor Atkins  
Sara Banks  
Laurie Baron  
Anthony Bei-En Chang  
Michael Christopher  
Kamuela Enos  
Renee Furuyama  
Shirley Garcia  
Ma Kanehe  
Derrick Kiyabu  
Maralyn Kurshals  
Lina Le  
Carmille Lim  
H. Doug Matsuoka  
Meredith Nichols  
Barbara Polk  
Ilona Sai  
Erin Kahunawaika'ala Wright

#### Executive Director

Nancy Aleck

#### Founder

John Witeck

#### Hawai'i People's Fund

949 Kapi'olani Blvd. Suite 100  
Honolulu, Hawai'i 96814  
Phone/fax: (808) 845-4800  
peoples@lava.net

[www.hawaiipeoplesfund.org](http://www.hawaiipeoplesfund.org)  
[www.changenotcharity.org](http://www.changenotcharity.org)

A Member of The Funding Exchange



**VOLCANO  
ART CENTER**  
ART • MAN • EARTH

February 25, 2011

Chair Marcus Oshiro  
House Finance Committee  
Hawaii State House of Representatives  
State Capitol, Room 308  
Honolulu, HI 96813  
RE: HB 799. Proposed HD 1, Relating to Taxation

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

Volcano Art Center is a 501(c)(3) nonprofit organization founded in 1974 to promote, develop and perpetuate the artistic, cultural and environmental heritage of Hawai'i's people through the arts and education. Volcano Art Center has an enormous economic impact on the Volcano Community and on Hawai'i Island. We represent over 350 local artists, employ twenty individuals and support hula halau, cultural and environmental groups and programs, charter and DOE school programs, and over \$1.3M in expenses and salaries annually.

We oppose HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue (with some revenue category exceptions) for all entities, referenced in HRS 237-23 (a) 3 – 10. Nonprofit organizations require tax exemption because they provide necessary programs and services that the government sector is not able to provide. Nonprofit organizations receiving tax-exempt status are required to carry out their charitable activities that benefit individuals, families, and assist in creating and maintaining happy and healthy communities.

H.B 799 and the even more unpalatable HD 1 version taxes generic accounts of nonprofit organizations which are already operating under funding constraints. In addition, every dollar collected under H.B.799 is a dollar less that will go to arts education for children of all ages, promoting and preserving Hawaiian culture and music, and community service projects in our natural resource, our Niaulani Rain Forest. In addition, fewer monies can go toward raising additional funds and hiring additional staff, artists, cultural practitioners and vendors needed to ensure our growth and economic stability.

Volcano Art Center does not want to have to cut programs and/or staff due to having to pay tax on our gross revenues, which are already hard-earned through fundraising, grant writing and membership solicitation. We cannot pass these additional taxes on to our





**VOLCANO  
ART CENTER**  
ART • MAN • EARTH

members like corporations in the for-profit sector. Requiring nonprofits to pay additional taxes can have unintended and detrimental effects including discouraging donations (donors do not want to donate to administrative and overhead costs, fees and taxes).

In conclusion, we feel that HB 799, Proposed HD 1 fundamentally undermines the ability of nonprofit organizations to deliver on their charitable missions. We strongly oppose this measure and ask you to hold this bill.

Thank you for the opportunity to provide testimony.

Tanya Aynessazian  
CEO, Volcano Art Center



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

**House Committee on Finance**

The Hon. Marcus Oshiro, Chair  
The Hon. Marilyn Lee, Vice Chair

**Testimony in OPPOSITION  
TO HB 799, HD1, Proposed  
Relating to Taxation**

**February 25, 2011 6:00 p.m. Agenda, Room 308**

Submitted by: David Peters, Chief Executive Officer

Ho'ola Lahui Hawai'i strongly opposes this measure to impose any kind of general excise tax on non-profits. In a time when many of our non-profit organizations are struggling to keep their doors open, facing immense pressure from increasing numbers of people needing their assistance and looking at government cuts to their budgets, it is immensely burdensome to now tax them as well.

This particular legislation would cost our agency a minimum of \$288,000 per annum in addition to the general excise tax we already pay on goods and services that are purchased by our organization.

A few ways in how this could impact our organization in real terms:

1. Two Physicians' Salaries taking care of 2600 patients annually
2. Our entire Medications budget for over 1200 needy patients
3. Loss of our preventive dental visits, denture services and other restorative laboratory costs per year for uninsured and Medicaid patients 2300 people affected.
4. Loss of our behavioral health services program helping over 1,000 patients annually.

Given the current economic climate we can appreciate finding alternative revenue sources but taxing non-profit organizations providing direct services to those in need is not an answer to the budget shortfall as indeed it will create even greater dependence on government resources to provide these services and ultimately just shifts the costs in the system doing nothing to address the crisis.

We ask that you delete this particular provision in the proposed legislation.

O Wau Iho No,

David Peters



H. C. E. O. C.

Hawaii County Economic Opportunity Council

47 Rainbow Drive Hilo, Hawaii 96720  
(808) 961-2681



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

February 25, 2011

RE: HB 799. Proposed HD 1, Relating to Taxation

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

My name is Lester Seto, the Executive Director of Hawaii County Economic Opportunity Council (HCEOC), a nonprofit Community Action Agency which provides programs and services to those most at risk, the poor. I am writing on behalf of HCEOC to adamantly oppose HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue (certain exceptions noted) for all entities, referenced in HRS 237-23 (a) 3- 10. While there are many issues that warrant discussion, many I am confident have been brought to light by other opposing testimony, I will focus my brief comments to but a few.

First and foremost, the burden of this bill rests firmly on the back of those that need assistance the most. Recognizing that the current economic situation affects all, it is clear that the burden is not equally shared. Reducing any amount of revenue, regardless how small, dilutes the products and services that nonprofit organizations strive to provide for an un-served and under-served population. Reducing these services puts this population at risk even further. Our collective goal should be to help more, not less, during this difficult time.

Secondly, generally speaking nonprofit organizations have a history and practice of utilizing resources efficiently. Management's mindset is to ensure that those they serve receive maximum benefit from each dollar provided, regardless of source. Minimizing administrative overhead while maximizing impact is the mantra; self sacrifice and a heart for service is the practice.

Lastly, I realize that the State is under pressure to put its spending more in line with its revenues. I also recognize that it has many "moving parts" that will contribute to addressing the problem. "Robbing Peter to pay Paul" by increasing tax revenues could also increase expenses. The end result could be that those that slip through this ever widening crack seek assistance through government programs thereby negating any positive impact anticipated by this action.

Page 2

Letter to Chair Marcus Oshiro

February 25, 2011

That said, on behalf of HCEO, I strongly oppose HB 799, proposed HD 1, and thank you for your time and consideration.

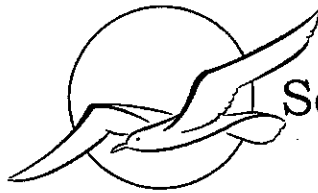
Sincerely,

A handwritten signature in black ink, appearing to read "Lester Seto".

Lester Seto

Interim Executive Director

Hawaii County Economic Opportunity Council



# Seagull Schools

Main Office: 1300 Kailua Road, Kailua, Hawaii 96734  
Tel: (808) 261-8534 · Fax: (808) 261-7052 · [www.seagullschools.com](http://www.seagullschools.com)  
Email: [seagull@aloha.com](mailto:seagull@aloha.com)

Testimony against HB 799  
From: Chuck Larson

As the Director of Seagull Schools and as a member of the Early Learning Council and the Childcare Business Coalition, I AM STRONGLY AGAINST H.B.799 which proposes to eliminate the exemption from paying excise tax on childcare fees.

Hawaii is one of only 16 states that do not have a state supported system of early education. Our educational outcomes are consistently among the worst of any of the states. Four out of ten children entering kindergarten are determined to not be ready to succeed. Studies show that children who attend preschool are more likely to graduate from high school onto college, and are less likely to need public assistance when they are adults. Every \$1.00 invested in early childhood education yields a return of \$4.20 in reduced costs of future educational intervention.

In Hawaii, the early education system is funded on the backs of parents and by teachers who work for low wages.

If an excise tax is put on childcare fees it will only result in increasing the cost of early education for families and will result in more children not going to preschool and as a result failing to be ready to succeed in kindergarten. If they are not ready for kindergarten they never catch up and are mostly consigned to be in remedial classes through high school or until they drop out.

**IF THIS BILL IS PASSED IT WILL ONLY ADD TO THE EMBARRASSMENT OF HAWAII AS BEING AMONG THE WORST IN SUPPORTING EDUCATION.**

Respectfully Submitted,

Chuck Larson



#### Board of Directors

Wyeth Matsubara  
*President*  
Cheryl Soon  
*Vice President*  
Janine Clifford  
*Treasurer*  
Michael Flannery  
*Secretary*

Chuck Larson  
*Executive Director*  
Cheryl Campbell  
*Chief Financial Officer*  
Jayne Arasaki  
*Director of Operations*

Maeda Timson  
Deborah Sharkey  
Gary Gill  
Gordon Bruce  
Kevin Doyle

Lissa Guild-Eveleth  
Glenn Mason  
Angie M. Runyan-Berg  
Michael Buck  
Jeff Grad

#### School Locations

Kailua & Administrative Office - 261-8534  
Kapolei & Food Service - 674-1444  
Ocean Pointe in Ewa - 689-6021  
The Early Education Center, Honolulu - 533-0004  
Mauna Lani, The Big Island of Hawaii - 885-3557

Adult Day Center - 674-1150  
Kapolei Pre Plus - 674-0101  
Ko Olina - 671-6999



## DORIS TODD MEMORIAL CHRISTIAN DAY SCHOOL

---

519 Baldwin Avenue  
Paia, HI 96779  
(808) 579-9237  
Fax (808) 579-9449

February 25, 2011

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

RE: HB 799. Proposed HD 1, Relating to Taxation

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

Doris Todd Memorial Christian School was founded in 1956 on the island of Maui to provide an education to Maui's children. We currently have 156 students in Preschool through grade eight.

We are opposed to HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue (with some revenue category exceptions) for all entities, referenced in HRS 237-23 (a) 3 – 10. Our concern is over the taxation of charitable nonprofits, especially schools such as ours.

Tuition and Fee rates have already been established for the next school year. A 4% tax, which is not included in our budget, would mean drastic cuts in our program. I am greatly concerned that it would affect the number of scholarships we would be able to offer to needy families already struggling to get by in the current economy.

We strongly oppose passage of HB 799, Proposed HD 1 and ask you to hold this bill.

Sincerely yours,

Carolyn J. Moore  
Principal  
808-579-9237



## KAUA'I PLANNING & ACTION ALLIANCE

February 25, 2011

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

RE: HB 799. Proposed HD 1, Relating to Taxation

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

Kaua`i Planning & Action Alliance is a 501(c)(3) membership organization that serves as a convener and neutral facilitator that brings people together to address difficult community issues on Kauai.

We adamantly **oppose** HB 799, proposed HD 1, which imposes a temporary 4% tax on many sources of gross for all entities, referenced in HRS 237-23 (a) 3 – 10.

We believe this taxation will adversely impact not only the charitable nonprofits themselves but will, by extension, impact the clients they serve. This at a time when nonprofit are struggling due to cutbacks in all sources of revenue as a result of the lagging economy. Nonprofit organizations provide needed services that government cannot or will not provide and we do it economically and efficiently.

As a nonprofit, we DO pay taxes on fundraisers and other earned revenue that is not mission-related as well as state and federal payroll taxes.

Many nonprofits, including Kaua`i Planning & Action Alliance, have had to lay off staff and cut programs due to decreased revenues over the past two or three years. Taxing sources of revenue other than gifts and donations will have serious ramifications for nonprofits and the communities they serve. We urge you to vote NO on this legislation.

Very truly yours,

Diane Zachary  
President & CEO

BRINGING PEOPLE TOGETHER TO CREATE A BETTER FUTURE FOR KAUA'I

2959 Umi Street, Suite 201, Lihu'e, HI 96766 Phone 808.632.2005 Fax 808.632.2018  
Email [kpaa@kauainetwork.org](mailto:kpaa@kauainetwork.org) [www.kauainetwork.org](http://www.kauainetwork.org)



February 25, 2011

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

**RE: H.B. 799. Proposed H.D. 1, 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 write to express strong opposition to the provisions in H.B. 799, Proposed H.D. 1, that would take money away from services to individuals in local communities by imposing a 4% tax on all gross revenue (with some revenue category exceptions) on tax-exempt nonprofits via the bill's proposed changes to HRS 237-23 (a) 3 through 10. We 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 25,000 member organizations across the country, advances the vital role and capacity of the nonprofit sector. The National Council works with our network of state nonprofit associations, including the Hawai'i Alliance of Nonprofit Organizations (HANO), to amplify the voices of America's local community-based nonprofit organizations, help them engage in critical policy issues affecting the sector, manage and lead more effectively, collaborate and exchange solutions, and achieve greater impact in their communities.

H.B. 799, Proposed H.D. 1, 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, including when there is waste, fraud and abuse within our own sector, and where government revenue should be raised. While recognizing your budgetary pressures, we must oppose the provisions in H.B. 799, Proposed H.D. 1, that would severely impact the ability of nonprofit organizations to serve the people and 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 services to your constituents, such as those addressing human needs, are provided by Hawai'i nonprofits as contractors on behalf of local and state governments. As recent research reveals, the nonprofits in Hawai'i – your partners in serving your constituents – already are struggling to meet community needs, and that's before taking more money away from their work through taxation:

- More than three out of five Hawai'i (63%) nonprofits with expenditures of between \$250,000 and \$1 million are operating in the red, while only 43 percent nationally are in deficit; and
- As a result, 56 percent of Hawai'i nonprofits have had to freeze or reduce employee salaries and 41 percent of the nonprofits have reduced the number of employees to help offset other program costs.

That research also reveals that nonprofits have already given much more than their fair share to the State as a result of the flaws in the existing contracting system.

Beginning in 2009, the National Council collaborated with the Urban Institute to conduct an extensive investigation of the effectiveness of government contracting systems in promoting or hindering delivery of human services throughout the United States. As part of this collaboration, the Urban Institute conducted the nation's first comprehensive survey of nonprofit contracting experiences, which provided nationwide and state-specific data identifying key problems in Hawai'i and all other states. The Urban Institute's hard data proved what had been known intuitively: that government contracting practices too often undercut delivery of the very services that governments are trying to provide through their contracts with nonprofits. In particular, the Urban Institute report, *Human Service Nonprofits and Government Collaboration: Findings from the 2010 National Survey of Nonprofit Government Contracting and Grants*<sup>i</sup>, found that governments often: (i) fail to pay the full costs of the services for which they contract, (ii) pay late which imposes significant strain and costs on nonprofits, (iii) use unnecessarily complex bidding burdens and (iv) reporting requirements that increase the costs to nonprofits and taxpayers, and (v) change contract terms in mid-stream.

The National Council of Nonprofits simultaneously conducted research into the contracting laws, procedures, and practices in Hawai'i and elsewhere, interviewing hundreds of nonprofit executives and government officials. The National Council published the results of this research in a Special Report, *Costs, Complexification, and Crisis: Government's Human Services Contracting "System" Hurts Everyone*<sup>ii</sup>, which provides additional context to the Urban

Institute's findings. Specifically, we found that the convoluted, disjointed, and patch-worked laws and practices by which governments at all levels contract with nonprofits have led to nonpayment, underpayments, and late payments to nonprofits, in part because contracting and reporting processes have become excessively complex and irrational (through continual "complexification" as opposed to simplification).

The Special Report explains how the contracting problems in Hawai'i and elsewhere affect everyone in Hawai'i, not just nonprofits. The pain caused by delayed payments and the broken contracting "system" hurts the children, the elderly, the sick, the hungry, the homeless, and other individuals in need of services. The research found that flawed government contracting practices also hurt nonprofit employees, who miss getting salaries paid, lose benefits and hours, and too often lose their jobs. Further, the flawed practices harm taxpayers paying for the burdened services, intrude on private philanthropy, divert funding away from nonprofits that do not have government contracts, and create a serious drag on the entire economy.

The Special Report also quoted government reports admitting these serious contracting flaws hurt nonprofits and many others. For instance, the Congressional Research Service warned, "It appears that governments, especially state governments, may be contributing to the financial difficulties of nonprofit organizations, even to the point of not paying for contracted services." The Special Report of the National Council concludes with this observation: "**The contracting system must be fixed so people receive services when they need them, taxpayers receive full value for the programs they fund, and communities are strengthened through wise stewardship.**"

Both the Urban Institute and the National Council documented that late payments are a serious problem in Hawai'i for nonprofits and the people they serve:

- Half of the Hawai'i human service providers participating in the Urban Institute survey reported that they are paid late by governments, and that the State is late by more than 90 days.
- The combination of contracting problems and the financial hardship brought on by the recession are having a severe impact on the viability of Hawai'i's nonprofit service providers.

In light of these findings, the proposed legislation would tax the work of nonprofits – thereby further hurting your constituents and communities. As I said before, we believe that the State has already withheld more resources from nonprofits than is usually acknowledged, and that the pending legislation is excessive and overly-burdensome.

If these nonprofits are not exempt from taxation, as would be the case if H.B. 799, Proposed H.D. 1, is enacted, then the state government would effectively be reducing 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.

Letter on H.B. 799, Proposed H.D.1  
February 25, 2011  
Page 4 of 4

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 further erode the social safety net at a time when it is stretched desperately thin and is 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. 799, Proposed H.D.1, and work with the nonprofit community to develop solutions to the state's budget problems.

Respectfully,



Tim Delaney  
President and CEO

---

<sup>1</sup> Elizabeth T. Boris, Erwin de Leon, Katie Roeger, Milena Nikolova, **Human Service Nonprofits and Government Collaboration: Findings from the 2010 National Survey of Nonprofit Government Contracting and Grants** (Urban Institute Center on Nonprofits and Philanthropy) (Oct. 2010) <http://www.govtcontracting.org/sites/default/files/Full%20Report.pdf>. See also Urban Institute Briefing <http://www.govtcontracting.org/sites/default/files/Brief.pdf> and State Profiles <http://www.govtcontracting.org/sites/default/files/State%20Profiles.pdf>.

<sup>2</sup> *Costs, Complexification and Crisis: Government's Human Services Contracting "System" Hurts Everyone*, (National Council of Nonprofits) (Oct. 2010) <http://www.govtcontracting.org/sites/default/files/Costs%20Complexification%20and%20Crisis.pdf>. See also, the special web portal dedicated to resolving government contracting problems and solutions: <http://www.govtcontracting.org/>.

## AIRLINES COMMITTEE OF HAWAII



Honolulu International Airport  
300 Rodgers Blvd., #62  
Honolulu, Hawaii 96819-1632  
Phone (808) 838-0011  
Fax (808) 838-0231

February 25, 2011

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

RE: **HB 799 HD1 proposed – Relating to Taxation - Oppose**  
FIN Committee – February 25, 2011, Conference Room 308, 6:00PM

Aloha Chair Oshiro, Vice Chair Lee and members of the committee:

The Airlines Committee of Hawaii\* (ACH), which is made up of 21 signatory air carriers that underwrite the State Airport System strongly opposes HB 799 HD1, Relating to Taxation, which suspends General Excise Tax exemptions for five years and levies a 1% increase on GET or a 4% increase as offered in the HD1 proposal to this bill.

Specifically, we oppose the suspension of exemptions covered under the following sections:

Section 2:

- (9) Amounts received or accrued from the loading or unloading of cargo;
- (13) Amounts received as rent for aircraft or aircraft engines used for interstate air transportation; and
- (16) Amounts received from the servicing and maintenance of aircrafts or construction of aircraft service and maintenance facilities.

Section 3:

- (1) The leasing or renting of aircraft or keeping of aircraft solely for leasing or renting for commercial transportation of passengers and goods or the acquisition or importation of aircraft or aircraft engines by a lessee or renter engaged in interstate air transportation; and
- (3) The use of material, parts, or tools imported or purchased by a person licensed under chapter 237 which are used for aircraft service and maintenance or the construction of an aircraft service and maintenance facility,

While the rental or leasing of aircraft or aircraft engines may not apply to all airline members since many are based elsewhere, the suspension of exemptions in this bill will have an inordinately adverse affect on locally-based carriers and inter-island carriers. Additionally, there are federal issues involved here that could prohibit or limit the state's ability to tax the leasing of aircraft or aircraft engines used for interstate commerce.

Finally, taxing aircraft maintenance, materials, parts and tools will only drive these jobs away from Hawaii and to states where there is no tax.

For these reasons, we respectfully urge your committee to reject this bill. As always, we are grateful for the opportunity to provide input on this matter.

Sincerely,

Lori Peters  
ACH Co-chair

Blaine Miyasato  
ACH Co-chair

*\*ACH members are Air Canada, Air New Zealand, Air Pacific, Alaska Airlines, All Nippon Airways, American Airlines, China Airlines, Continental Airlines, Continental Micronesia, Delta Air Lines, Federal Express, go! Mokulele, Hawaiian Airlines, Japan Airlines, Korean Air, Philippine Airlines, Qantas Airways, United Airlines, United Parcel Service, US Airways, and Westjet.*



## THE QUEEN'S MEDICAL CENTER

1331 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 25, 2011 – 6:00 p.m.  
State Capitol, Conference Room 308

**Re: HB 799, Proposed HD1 – 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 in opposition to House Bill 799, proposed HD1 which suspends temporarily certain tax credits and exemptions and requires payment of tax at a 4 per cent rate. This measure would place additional stress on Hawaii's already over-burdened and fragile health care system.**

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 2008 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. In fiscal year 2009 Queen's gave back \$87 million to the community, 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 IRS form 990, Schedule H, provides 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. However, we respectfully oppose Section 2, items (6) and (18) due to the anticipated negative impact on Hawaii's fragile healthcare system. Thank you for the opportunity to testify.



1000 BISHOP STREET, SUITE 505

HONOLULU, HI 96913

808-524-4155

808-524-0573


TOYOFUKU@HIADVOCATES.COM

**BOB TOYOFUKU**

GOVERNMENT AFFAIRS  
CONSULTING

# MEMO

**To:** Committee on Finance

**From:** Bob Toyofuku on behalf of Hawaiian Airlines 

**Date:** February 25, 2011

**RE:** H.B. No. 799, Proposed HD1 – Relating to Taxation

**Testifier:** Keoni Wagner, Vice President for Public Affairs for Hawaiian Airlines

**Position:** OPPOSED

**Committee:** House Committee on Finance

**Hearing on 2/25/11 at 6:00 PM**

**Measure No:** HB 799, Proposed HD1

**2 copies enclosed**

**TESTIMONY OF KEONI WAGNER ON BEHALF OF HAWAIIAN AIRLINES IN  
OPPOSITION TO H.B. NO. 799, PROPOSED HD 1, RELATING TO TAXATION**

February 25, 2011

To: Chairman Marcus Oshiro and Members of the House Committee on Finance:

My name is Keoni Wagner and I am the Vice President for Public Affairs for Hawaiian Airlines presenting this testimony on behalf of Hawaiian Airlines in opposition to H.B. No. 799, Proposed HD 1.

Hawaiian Airlines understands the severity of the budget problem and the difficulty of finding solutions to balance the state budget with the severe economic situation facing the state. At the same time, we believe provisions of this bill will undermine the state's economic recovery and we must oppose it because of adverse impacts on our company going forward.

Hawaiian Airlines is the only carrier serving Hawaii from the mainland that is entirely focused on our home state and the only carrier whose economic well being is tied directly to that of Hawaii. The company is reinvesting profits in expansion and is actively pursuing a growth strategy that is aimed at adding service and new routes to bring more visitors to Hawaii. We are increasing service to Tokyo and Osaka in Japan and to Korea. This growth will increase tourism and tax revenues to the state.

The company has committed to investing in a fleet of new long range aircraft to fulfill its vision to become an even larger contributor to Hawaii tourism and has taken possession of three (3) new aircraft since Spring 2010 with two more arriving in 2011.

We have hired more than 600 employees over the past two years and plan to hire more in the next few months.



The current exemptions that exist in the law are helping to promote this growth at Hawaiian. Elimination of the current tax exemptions which affect the airlines would have a disproportionate effect on Hawaiian versus its competitors. Competing airlines have little exposure to state taxes compared to Hawaiian, so the impact on Hawaiian is much larger.

While 2010 was a good year for Hawaiian the risk factors this year are greater. For example:

- a. Oil prices have been steadily increasing and recently hit a two-year high. Our fuel costs are projected to be 50 percent higher this year than in 2010.
- b. Labor costs are higher with new contracts in effect
- c. Aircraft maintenance costs are projected to be higher
- d. Investments in opening new routes and markets

Hawaiian already pays the state more than \$45 million annually in taxes and landing fees and its employees also contribute more than \$9 million in state taxes. Loss of the current tax exemptions would cost Hawaiian more than \$18 million in 2011 and this amount would multiply in successive years as we bring additional new aircraft into Hawaii. The total increased tax burden on our company would be in excess of \$112 million over 5 years.

Increasing the tax burden at this time will have a dampening effect on Hawaiian's growth plans and undermine our efforts to add jobs and increase tourism revenues for the state. Accordingly, we respectfully oppose this measure.

Thank you for the opportunity to comment on this measure.



## Hawaii Harbors Users Group

---

Gary North  
Executive Director

Mar Labrador  
Horizon-Lines, LLC  
Board Chairman

Vic Angoco  
Matson Navigation Company,  
Inc.  
Board Vice Chair

Douglas Won  
Sause Bros., Inc.  
Board Vice Chair

Glenn Hong  
Young Brothers, Ltd./Hawaiian  
Tug and Barge  
Secretary/Treasurer

Sandi Weir  
NCL America, Inc.

Richard Maxwell  
Aloha Cargo Transport,  
Division of Northland Services,  
Inc.

Kraig Kennedy  
McCabe, Hamilton & Renny Co.,  
Inc.

Philip MacDougall  
Hawaii Stevedores, Inc.

Lance Tanaka  
Tesoro Hawaii Corporation

Stephanie Ackerman  
The Gas Company

Eric Yoshizawa  
Ameron Hawaii

Nate Lopez  
Hawaiian Cement

Scott Vuillemot  
American Marine

Robert Alm  
Hawaiian Electric Company, Inc.

Steve Kelly  
Kapolei Property Development

Captain Steve Baker  
Hawaii Pilots  
Associate Member

Kim Beasley  
Clean Islands Council  
Associate Member

### HB 799 HD 1 (PROPOSED) RELATING TO TAXATION

**MAR LABRADOR  
CHAIR  
HAWAII HARBORS USERS GROUP**

**FEBRUARY 25, 2011**

Chair Oshiro and Members of the House Committee on Finance:

I am Mar Labrador, testifying on behalf of the Hawaii Harbors Users Group (HHUG), on HB 799, "A BILL FOR AN ACT RELATING TO TAXATION."

The Hawaii Harbor Users Group (HHUG) is a non-profit maritime transportation industry group comprised of the following key harbor users: Matson Navigation Company, Horizon Lines, LLC, Young Brothers/Hawaii Tug & Barge, Norwegian Cruise Line, Sause Brothers Inc., Aloha Cargo Transport (ACT), Hawaii Stevedores, McCabe Hamilton & Renny Stevedores, Hawaiian Electric Company, Tesoro Hawaii Corporation, The Gas Company, Ameron Hawaii, Hawaiian Cement, American Marine, Kapolei Property Development, the Hawaii Pilots Association, and Clean Islands Council.

This bill suspends, until June 30, 2015, various general excise and use tax exemptions and implements a 4% tax on these items and services. While HHUG recognizes the need for the State of Hawaii to obtain additional income, the removal of the exemptions in the maritime area will markedly impact the cost of goods in the state.

HHUG is very concerned about the suspension of the exemptions for amounts received or accrued from the loading or unloading of cargo (stevedoring services) in Section 2, subsection (a) (15); from tugboat and towage services in Section 2, subsection (a) (16); and from the transportation of pilots or governmental officials and other maritime-related services in Section 2, subsection (a) (17). Because of the complicated array of providers of maritime goods and services, the impact of the removal of these exemptions would be compounded.

The bill similarly proposes to suspend the exemptions that currently exist for amounts received from the loading, transportation and unloading of agricultural commodities shipped interisland in Section 2, subsection (a) (13). The impact of the suspension of these exemptions may be compounded by multiple instances of taxation and, in addition, this new tax burden would be disproportionately borne by groups, i.e., neighbor island farmers and residents, that may already face the most difficult climbs out of the present recession.

The bill also proposes to suspend the exemption that applies to the gross proceeds arising from shipbuilding and ship repairs in Section 2, subsection (a) (31). The suspension of this exemption would increase the cost

of obtaining these services in Hawaii, which could result in a decrease in the demand for such work to be performed in Hawaii.

Since carriers cannot be expected to bear the cost of these additional taxes, tariffs would increase and as a result the cost of all goods purchased by consumers would increase to cover this expense. With approximately 98% of Hawaii's imported goods passing through our harbors including commercial goods, motor vehicles, construction materials, and fuel, we anticipate that this bill will result in a significant increase in cost to Hawaii's residents and businesses. If this bill proceeds, HHUG urges that the bill be amended to preserve the current exemptions in the maritime area for stevedoring services; tugboat and towage services; pilot transportation; loading, transportation and unloading of agricultural commodities; and shipbuilding and ship repair services.

Thank you for this opportunity to testify.

# Architectural Diagnostics Ltd.

Building Diagnostics · Failure Analysis · Remedial Architecture · Architecture

25 February 2011

Finance Committee  
Hawaii House of Representatives

**SUBJECT:** HB 799 HD1

Dear Members of the Committee:

I write to oppose HB 799 HD 1.

While the direct impact of this bill on my business would be small, the overall impact on the construction industry as a whole will be very large, because of the well-known "pyramid effect". Lets look at an example. For the sake of simplicity, this example ignores markups for overhead and profit and the Honolulu Transit Tax, in order to focus on the pyramiding consequences of the proposed changes to the 4% Gross Excise Tax (GET).

1. Let's assume that a local supplier purchases hardware from a mainland manufacturer for \$100.00.
  - 1.1 Under the current tax law: The local purchaser pays the cost of the hardware plus a 0.5% Use Tax for bringing the material into the state. There is no Hawaii GET on the transaction. Cost to the purchaser including taxes = \$100.50
  - 1.2 Under proposed HB 799: No change
2. The local supplier sells the hardware to a cabinet subcontractor.
  - 2.1 Under the current tax law: The local supplier pays \$100.50 for the hardware and sells it to the cabinet subcontractor for his cost plus a 0.5% Wholesale GET (0.5025% effective rate) or \$101.01.
  - 2.2 Under proposed HB 799: The local supplier will pay \$100.50 for the hardware and sell it to the cabinet subcontractor for his cost plus a 4% GET (4.166% effective rate) or \$104.69.
3. The cabinet subcontractor sells the cabinets with the hardware to a general contractor.
  - 3.1 Under the current tax law: The cabinet subcontractor pays \$101.01 for the hardware and sells it for his cost plus 0.546% Wholesale GET or \$101.51
  - 3.2 Under proposed HB 799: The cabinet subcontractor will pay \$104.69 for the hardware and sell it for his cost plus 4% GET (4.166% effective rate) or \$109.05
4. The general contractor sells his home, including the cabinets and hardware, to a home buyer.
  - 4.1 Under the current tax law: The general contractor pays \$101.51 for the hardware and sells it for his cost plus 4% Wholesale GET (4.166% effective rate) or \$105.74
  - 4.2 Under proposed HB 799: The general contractor will pay \$109.05 for the hardware and sell it for his cost plus 4% GET (4.166% effective rate) or \$113.59

The net result of this chain of transactions is an increase in the amount of tax paid from \$5.74 to \$13.59 or an increase of \$7.85, a 236.76% increase. This example uses a \$100 item. If the cost of the item is increased to include all of the labor and materials in a \$500,000 house, the cost impact increases to \$39,250. If the legislature's goal is to increase employment, that's not the way to do it.

This same math applies to all parts of the construction industry, from consultants and engineers to architects, materials suppliers, subcontractors and general contractors.

While I am not against some tax increases, this one is not the way to do it.

Sincerely,

**ARCHITECTURAL DIAGNOSTICS, LTD.**

A handwritten signature in black ink, appearing to read 'Jim Reinhardt', with a stylized flourish at the end.

Jim Reinhardt  
Its President

110225-Ltr2FinanceComm-HB799

HB 799

~~HB 809~~ **PROPOSED HD1 Relating to Taxation**

- HOUSE COMMITTEE ON FINANCE:
- Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice Chair
- Friday, February 25, 2011, 6:00 PM, Conference Room 308

**KŪ ALOHA OLA MAU Strongly OPPOSES HB 799  
Proposed HD1:**

GOOD AFTERNOON CHAIR OSHIRO, VICE CHAIR LEE AND DISTINGUISHED COMMITTEE MEMBERS:

**SUMMARY**

I am Lisa Cook, Executive Director for Kū Aloha Ola Ma, a non-profit addiction treatment agency in service since 1976. Most of our clients who privately pay for treatment are working and already stretched to make ends meet. We are not raising prices in July 2011 because of the difficulty they are having in making payments. We urgently request opposition to this bill.

Mahalo Nui for this opportunity to testify.

Lisa Cook, Executive Director  
Kū Aloha Ola Mau



February 25, 2011

We are opposed to **HB 799, Proposed HD1.**

Non-profits providing crucial services to Hawai'i families have faced severe cutbacks already. To take away even more funds could be the final nail in the coffin for some.

Most non profits provide services that many believe are the responsibility of Government. Because non-profits can do so at a lower cost and with more flexibility, the State prefers to utilize these services.

Marimed Foundation has experienced a 75% reduction in state support for contracted services over the past few years. We are expected to continue to provide the same high quality programs with less money. The State has also decreased the number of youth referred to programs that serve families in crisis. Other non-profits in our field have closed.

To take funds from non-profits through a tax is similar to reducing funding. This would only naturally lead to less ability to provide services and to put more of a burden on Government, or more likely, the community.

We understand that all sectors need to share the burden. Non-profits in the social and health fields have taken their cuts. Any more and we may not be able around to help.

We urge you to reject HB 799, HD1.

Sincerely,  
Stephen Keller, CFO  
Marimed Foundation



OFFICERS AND  
BOARD OF DIRECTORS:

Elizabeth Ann Ishii, J.D.  
President  
Simon Klevansky, Esq.  
Vice President  
Nanette (Sheri) Schonleber, Ph.D.  
Secretary  
Tim Ng, M.B.A.  
Treasurer

Joy Bliss, Ph.D.  
Camille Chun-Hoon, J.D.  
Shannon Patrick Duffy  
Kathy Ferguson, Ph.D.  
Ruth Fletcher, Ph.D.  
Carol Furuya  
Natalie Haggerty, M.Ed.  
John Higham  
Patti Jenks  
Kate Lloyd, J.D.  
Ryan Masa, M.Ed.  
Irene Takamura  
N. Sunahara, M.Ed., CRC  
Mary Wong, J.D.

PROFESSIONAL ADVISORY  
BOARD OF DIRECTORS:

Jane Anderson  
Kirk Caldwell, Esq.  
Roger Epstein, Esq.  
Robert Fujioka  
Barbara Jamile, M.Ed.  
Solomon Kaulukukui, Jr.  
Susan Walker Kowen, J.D.  
Louis Salza, M.Ed.  
Helaine Schupack  
Gordon Sherman, Ph.D.  
Ivalee Sinclair  
Paul Singer, M.Ed.  
Sue Voit  
Angela Wilkins  
Louise Wong  
Evelyn Yanagida, Ph.D.  
Gregory Yim, M.D.

PROGRAM MANAGER:  
Margaret Higa, M.S.C.P.

COMMUNICATION &  
DEVELOPMENT:  
Susan Walker Kowen, J.D.

February 25, 2011

Chair Marcus Oshiro  
House Finance Committee  
Hawai'i State House of Representatives  
State Capitol, Room 308  
Honolulu, HI 96813  
RE: HB 799, Proposed HD 1, Relating to Taxation

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

I am submitting testimony in opposition to HB 799, Proposed HD 1, Relating to Taxation, on behalf of the Hawai'i Branch of the International Dyslexia Association – HIDA, a Hawai'i 501 (c) (3) nonprofit corporation. HIDA's mission is to increase awareness of dyslexia in the community, provide support for dyslexics, families and educators, promote teacher training and improve literacy for struggling readers throughout Hawai'i.

HIDA opposes HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue (with some revenue category exceptions) for all entities, referenced in HRS 237-23 (a) 3 – 10. HIDA's primary concern is over the taxation of charitable nonprofits.

As a charitable nonprofit organization, HIDA requires a tax exemption because it provides necessary programs and services for children with dyslexia, their families and educators that the government sector is not willing or able to provide. HIDA receives much of its funding to provide these services through fundraising and does currently pay General Excise Tax (GET) on gross revenues from it.

HIDA strongly opposes this measure and respectfully requests that you hold this bill.

Thank you for the opportunity to provide this testimony.

Margaret J. Higa  
Program Manager

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

February 25, 2011; 6:00pm  
Room 308

HB 799, Relating to Taxation

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

Lanakila Pacific strongly opposes HB 799, Proposed HD 1, which imposes a temporary 4% tax on all gross revenue for Hawaii nonprofits, except gifts and donations.

As a nonprofit organization that serves thousands of Oahu residents annually with programs that build life skills, which in turn support our greater community, we understand how adversely this measure would impact services for individuals, families and our communities.

Nonprofit organizations require tax exemption because they provide necessary programs and services that the government sector is not willing or able to provide. Nonprofit organizations currently pay General Excise Tax (GET) on gross revenues derived from fundraisers, and unrelated business income tax (UBIT) for for-profit ventures.

Further taxation will result in reduction and/or elimination of services that support the state's most vulnerable and needy citizens, further eroding the state's social safety net.

HB 799, Proposed HD 1, would devastate our ability as a nonprofit to deliver on our mission. We strongly oppose this measure and ask you to hold this bill.

Thank you for the opportunity to provide testimony.

Respectfully submitted,

Marian E. Tsuji  
President & CEO

PRESIDENT & CEO  
Marian E. Tsuji

LANAKILA PACIFIC  
BOARD OF DIRECTORS

*Chair*

Lynn Zane

*Vice Chair*

Ken Hayashida

*Secretary*

Ko Miyataki

*Treasurer*

Deek Mizuno

*Directors*

Riki Amano (Ret. Judge)

Brenda Cartwright

Russell Chun

Stephen Downes

Susan Eichor

Les Murashige

Audrey E.J. Ng, Esq.

Samuel Tanimoto

Masaichi Tasaka

Bob Toyofuku

Henry L. Wong, Ph.D.

LANAKILA PACIFIC  
FOUNDATION  
BOARD OF DIRECTORS

*Chair*

Randy Perreira

*Vice Chair*

Peter Kay

*Treasurer/Secretary*

Rebecca Rude Ozaki, Ph.D.

*Directors*

Kyle Chock

Debra Kagawa Yogi

Ed Kageyama

Jo Kamae Byrne

Micah Kane

Arnold Martinez

Mark Platte

Mark Yamakawa

Todd Yamanaka

Teri Yamashige

Shemi Yim

JoAnn Yosemori

Lynn Zane

1809 Bachelor Street  
Honolulu, Hawaii 96817  
Phone: 808-537-0555  
Fax: 808-537-7264  
www.lanakilapacific.org



Email to FINtestimony@capitol.hawaii.gov

February 25, 2011

TO: Representative Marcus R. Oshiro, Chair; Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Margarita Scheffel, CFO, W. M. Keck Observatory

HEARING: Feb. 25, 6 p.m., Room 308

RE: Opposition to HB 799 proposed HD 1, Relating to Taxation

Our organization, W. M. Keck Observatory, is a charitable 501(c)(3) nonprofit with a mission to foster scientific interaction among educational and research institutions and to foster high school, college and university educational research in astronomy. The academic researchers that use the observatory are primarily from the University of California, California Institute of Technology, the University of Hawaii, the Association of Universities for Research in Astronomy (AURA) and the National Aeronautics and Space Association (NASA). W. M. Keck Observatory's fiscal activities include soliciting donations and entering into grants and contracts to carry out its research and instrumentation development.

We staunchly oppose HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue (with some revenue category exceptions) for 501(c) entities such as ourselves and other non-profits.

Here are the some of the reasons why.

- We currently pay General Excise Tax (GET) on gross revenues derived from fundraisers.
- We pay wages that DO get taxed on the federal and state level.
- Nonprofit organizations receive much of their funding through fundraising. Most households support fundraising activities using income earned from wages. All such income IS already subject to both federal and state taxes.
- Unexpected tax increases could force us into laying off of employees thus adding further strain on the state's budget and resources.
- We must absorb any tax increase in our existing budget unless additional sources of financial support can be found through grants or philanthropic donations, which is extremely difficult in the current economic climate.
- We cannot pass on additional taxes to customers through price increases like the private sector.

- Essentially, by taxing the revenue received from a government contract, government is decreasing its own contract amount to the nonprofit, providing yet another example of under funding the nonprofit.

As a volunteer Board Trustee for other non-profits, I fear this bill would force many charities that are already stretched beyond their means to close, eliminate needed research programs or lay off workers.

HB 799, Proposed HD 1 fundamentally undermines the ability of nonprofit organizations to deliver on their charitable missions. We strongly oppose this measure and ask you to hold this bill.

Thank you for the opportunity to provide testimony.

**TESTIMONY IN STRONG OPPOSITION**  
**HB 799**  
**House Finance Committee**  
**Hearing: February 25, 2011 6:00 PM Room 308**

To: The Honorable Rep. Marcus Oshiro,  
Chair, House Finance Committee

Twenty-Sixth Legislature State of Hawaii  
State Capitol  
Honolulu, Hawaii 96813

From: Thomas Huber  
46-291 Auna Street  
Kaneohe HI 96744  
Contact: 808 235 1437 [hubert001@hawaii.rr.com](mailto:hubert001@hawaii.rr.com)

Re: HB 799  
RELATING TO TAXATION

Dear Representative Oshiro and Members of the Committee:

I am a member of the Board of Directors of The Arc in Hawaii, nonprofit corporation which provides essential services, many formerly provided by the State, for low income people with disabilities. I have served as an officer or director of several other nonprofit human services, arts and research organizations.

All of these organizations survived on a financial thread, and several experienced financial crises, even near shut down, because income did not cover expenses.

I am in **STRONG OPPOSITION** to HB 799 which would, impose an additional excise tax on most income to Hawaii nonprofits. Especially in these hard times, it would be the rare nonprofit that could survive such an increase in its expenses. At the least, services will need to be cut. Services will be lost, and in many cases the State will need to step in, often at greater cost than incurred by nonprofits.

Pass this Bill and the State and our people will pay the price.

Thank you for the opportunity to testify.

February 25, 2011

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

RE: HB 799. Proposed HD 1, Relating to Taxation

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

My employer, Mental Health Kokua, is a nonprofit agency (among all the others in Hawaii) which I believe would be adversely affected by the passing of HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue (with some revenue category exceptions).

I strongly oppose HB 799, proposed HD 1, referenced in HRS 237-23 (a) 3 – 10. A primary concern is over the taxation of charitable nonprofits such as ours.

**This bill is tantamount to the comprehensive repeal of nonprofit tax-exemptions.**

I respectfully submit this testimony to include the points noted below regarding **NONPROFIT TAX EXEMPTIONS**:

Historical Relationship Between Government and Nonprofit Sector

- Nonprofit organizations require tax exemption because they provide necessary programs and services that the government sector is not willing or able to provide.<sup>1</sup>
- Nonprofit organizations provide these services with more economical efficiency than government provides.<sup>2</sup>
- Nonprofit organizations receiving tax-exempt status are required to carry out their charitable activities that benefit individuals, families, and communities.<sup>3</sup>
- Nonprofit organizations have come under steady increased pressure due to state government cutbacks and an economic climate that has escalated the demand for its programs and services.

Nonprofit Organizations DO Pay Taxes and Are Good Corporate Citizens

- Nonprofit organizations DO currently pay General Excise Tax (GET) on gross revenues derived from fundraisers.
- Nonprofit organizations DO currently pay unrelated business income tax (UBIT) on forprofit ventures.
- Nonprofit organizations pay approximately \$1.45 billion in wages that DO get taxed on the federal and state level.<sup>4</sup>
- Nonprofit organizations receive much of their funding through fundraising. Most households support fundraising activities using income earned from wages or consultant fees.<sup>5</sup> All such income IS already subject to both federal and state taxes.

Impact of Further Taxation

- Nonprofit organizations are impacted by unexpected increases in at least two ways: 1) Possible closing down of organizations and/or laying off of employees, adding further strain on the state's budget and resources; and 2) Reduction and/or elimination of services that support the state's most vulnerable and needy citizens, further eroding Reduction and/or elimination of services that support the state's most vulnerable and needy citizens, further eroding the state's social safety net.
- Nonprofit organizations provide necessary programs and services to the most vulnerable segment of

Hawaii's population. If these programs and services cease to exist, those in need will either not receive the service or will go elsewhere, most likely to a government agency.

Nonprofit organizations receive less funds during tough economic times because of the manner in which nonprofits raise revenues (primarily through charitable contributions) and an increase in taxation would further undercut their funds.

Nonprofit organizations must absorb any tax increase in their existing budgets unless additional sources of financial support can be found through grants or philanthropic donations, which is extremely difficult in the current economic climate.

Nonprofit organizations cannot pass on additional taxes to customers through price increases like the private sector.

Nonprofit organizations are currently exempt from paying taxes on revenue from fees-for-service, membership dues, grants,<sup>6</sup> contributions and gifts. Tax exemption needs to continue because most of these revenue sources have already been taxed by the state.

HB 799, Proposed HD 1 fundamentally undermines the ability of nonprofit organizations to deliver on their charitable missions. Again, I strongly oppose this measure and ask you to hold this bill.

Thank you for the opportunity to provide testimony.

Pamela Menter  
Project Director  
Safe Haven/Mental Health Kokua  
41 So. Beretania St.  
Honolulu, HI 96813  
Office 808.524.7233  
Fax 808.524.0353  
[pmenter@mhkhawaii.org](mailto:pmenter@mhkhawaii.org)

---

<sup>1</sup> The public goods theory posits a gap in society that government fails to address and which nonprofit organizations fill through providing the necessary services. *An Introduction to the Nonprofit Sector: A Practical Approach for the Twenty-First Century*, Gary M. Grobman.

<sup>2</sup> Since the mid-nineteenth century there has been an implicit division of responsibility between government and private provides (nonprofit organizations)... By the late 1980s the transformation of the volunteer sector into a kind of "shadow state" has become impossible to ignore. *Board Source – History of Nonprofit Boards in the United States*.

<sup>3</sup> "Current Research in Nonprofit Sector" Paul Arnsberger, Melissa Ludlum, and Margaret Riley, *Internal Revenue Service*.

<sup>4</sup> Nonprofit organizations are the fifth largest nonagricultural employer in Hawaii. "Hawai'i Nonprofits, 2006, *One Fabric, Different Threads*," Hawaii Community Foundation.

<sup>5</sup> 92% of those tax-defined households in Hawaii made a charitable donation in 2009. *Hawaii Community Foundation Giving Study August 2009*.

<sup>6</sup> All private foundations are required to pay an excise tax on any net income that they earn from investments. "Current Research in Nonprofit Sector" Paul Arnsberger, Melissa Ludlum, and Margaret Riley, *Internal Revenue*

February 25, 2010

To Whom It May Concern:

I would like to take this opportunity to provide testimony in opposition to HB 799 HD1 Proposed. As an Executive Director of a nonprofit that would be directly affected by this bill, I can attest to how CRITICAL our tax exempt status is to our agency remaining open and providing high-quality vital services to the residents of Maui County. Over the last several years our agency has had to reduce the number of our employees to a bare minimum, while providing services to an ever-increasing number of clients. This was due to the effects of the economic downturn, which have been severe enough that many of us (in all sectors) are still trying to recover from. Although things do seem to be slightly improving recently, losing our tax exempt status at this time would be crippling on the bare bones budget that we are trying to survive on. There is a common public misconception that nonprofits don't pay ANY taxes, which is very much untrue. Nonprofit organizations DO currently pay General Excise Tax (GET) on gross revenues derived from fundraisers, and pay approximately \$1.45 Billion in wages that DO get taxed on both the federal and state level.

We have already been forced to lay off employees due to simultaneous budget cuts and increased costs. This bill could, very realistically, force many nonprofits to lay off further employees, which would in turn then increase the strain on the state's budget and finances. Additionally, this bill could have the very unfortunate result of the reduction or elimination of programs and services, which directly support the state's most vulnerable and needy citizens, further eroding the state's social safety net.

If HB 799 succeeds, nonprofit organizations would not be able to pass on additional taxes to customers through price increases like the private sector could. Our agency does not refuse services due to an inability to pay. In this severe economic climate, the number of individuals who require our services (but do not have the ability to pay even the lowest administration fee) has drastically increased. This revenue source has therefore decreased, along with many others. Revoking nonprofits' tax exempt status at this critical time, and requiring this to stay in effect for 4 years, would have serious negative effects all across Hawaii, and residents could lose many valuable services they rely on. Please do not support this bill.

Mahalo.

Max Tornai  
Executive Director  
Mediation Services of Maui  
Phone: (808) 244-5744  
Email: [mtornai@mauimmediation.org](mailto:mtornai@mauimmediation.org)



## HB799 Testimony

I am opposed to HB799, the taxation of nonprofit organizations for the following reasons:

- Non Profit Organizations (NPOs) provides services to the most vulnerable populations of Hawaii, services that are desperately needed, services that government cannot or will not provide.
- NPOs provide these services with an effectiveness that government agencies cannot.
- NPO funding sources – whether government, fee-for-service, individual donation or gift – have already been taxed ... or arise from taxes already.
- Thus, this bill proposes a double taxation of NPO funding sources.
- NPOs are under extreme economic duress, their recovery often lagging that of the Private, For Profit Sector – taxing NPOs simply increase duress, which often cannot be passed on to those we serve.
- Diminished services and staff cuts from taxes on NPOs will simply cause those we serve to seek services from less appropriate and less effective agencies, such as hospitals, further increasing expenditures from the state that it cannot afford.
- Taxing NPOs is tantamount to removing our IRS tax-exempt status. It undermines our very reason for being.

Thank you for your consideration.

Sincerely,

Keith R Wolter

Executive Director

Maui AIDS Foundation

[keith@mauiids.org](mailto:keith@mauiids.org)

808.242.4900 ext 224

HB 799, Proposed HD 1 fundamentally undermines the ability of nonprofit organizations to deliver on their charitable missions. We strongly oppose this measure and ask you to hold this bill.

The Holualoa Foundation for Arts and Culture makes special efforts to earn enough money to deliver charitable missions.

Charitable missions of the Holualoa Foundation for Arts and Culture benefit our community in the following ways:

1. Workshops and classes for adults and young children draw persons from the mainland who come specifically to participate in these classes, resulting in increased spending to help raise the economic income for our community.

2. Art education classes for children and youth help them to become responsible citizens of our community. This means that instead of costs for drug abuse that the state must assume, moneys spent from income of art sales of items donated by artists, will ensure that state funds will not be needed for such activities as rehabilitation and prisons.

Please recognize that non-profits in Hawaii have not and do not exist for personal financial interests of members of the organization.

Thank you for the opportunity to provide testimony.

Tomoe Nimori

**Natalie J. Iwasa, CPA, Inc.**  
**1331 Lunalilo Home Road**  
**Honolulu, HI 96825**  
**808-395-3233**

TO: Committee on Finance

HEARING

DATE: Friday, February 25, 2011, 6 p.m.

RE: HB799, HD1 Relating Taxation - **OPPOSE**

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

This bill would require nonprofit organizations, except churches, to pay general excise tax on all revenue except gifts and donations. **I strongly urge you to vote "no" on this bill.**

Nonprofits provide valuable services to communities and society in general. These services are provided at a lower cost than they would be through for-profit businesses because they are subsidized by donations and grants. That source of funding, however, has decreased the last couple of years. As a result, many nonprofits are already struggling to keep services in place with reduced budgets. Please do not add to their burden by taking away the GET exemption for most of their revenue.

Please vote "no" on this bill.

February 25, 2011

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

RE: HB 799. Proposed HD 1, Relating to Taxation

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

I strongly oppose HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue (with some revenue category exceptions) for all entities, referenced in HRS 237-23 (a) 3 – 10. My primary concern is over the taxation of charitable nonprofits.

I am a self-employed individual who receives payment for services, often from non-profits. I pay all required taxes on my fees – excise, state and federal. Taxing these non-profits at 4% will reduce their available funds thereby reducing the services they provide to others. Often their work is done more efficiently and at lower cost than it could be by government or for-profit organizations. Departments of Hawaii State Government do turn to non-profits to handle work they themselves cannot manage.

Please reconsider this proposed tax.

Sincerely,

Kathryn Sthay

February 25, 2011

TO: Representative Marcus R. Oshiro, Chair;  
Representative Marilyn B. Lee, Vice-Chair;  
and Members of the Committee on Finance

FROM: Shari Gullledge, Navy Hale Keiki School

Hearing: Friday, Feb. 25, 6:00 pm, Room 308

RE: Opposition to H.B. 799, Relating to Taxation

Navy Hale Keiki School is a nonprofit organization with a mission to uphold the highest standards of academic, social, and emotional literacy in support of our children, their future, and their families. We strongly oppose H.B. 799, Relating to Taxation, which would repeal the excise tax exemption on tuition, fees-for-service, and member dues.

Nonprofits are tax exempt because they provide social goods and services that otherwise government itself would have to, such as caring for the mentally ill, taking care of the elderly, helping abused or neglected children or providing food, shelter and health care to those in need.

The Hawaii GET is a gross receipts tax, which means it would tap nonprofit revenues, not just net income after expenses. Nonprofits would have to pay whether they are losing money or not. Therefore, H.B. 799 would slash resources at a time when endowments, contracts, donations, and other sources of financial support are shrinking and when community demands for services are increasing.

Nonprofit schools, which already dramatically reduce state spending on education, would have to pay and pass the additional expense to parents.

We fear this bill would force many charities that are already stretched beyond their means to close, eliminate programs or lay off workers and that it would force state government to provide vital community services less efficiently than non-profits can, increasing the burden on taxpayers.

We urge the Committee to not pass H.B. 799. Thank you for this opportunity to testify.

February 25, 2011

**Re: HB 799, Proposed HD 1, imposing a temporary 4 percent tax on gross revenue for Hawaii's non-profits but excluding Hawaii's religious organizations**

Honorable Committee Members:

As a long-time resident of the State of Hawaii, I share with you the concern of assuring that the annual state budget is fully and fairly balanced. I appreciate the challenge in enacting legislation that will simultaneously assure sufficient funds to operate the state's agencies while, at the same time, not overburdening the state's residents and businesses. I oppose this new proposed legislation.

The state has long distinguished between the rules and regulation for taxing for-profit and not-for-profit business entities. Generically, taxes can be – and should be – a cost of doing business for the for-profits and can, therefore, be part of the business' model for establishing its fees and costs.

Conversely, it seems both unfair and punitive to impose the Hawaii excise tax upon non-profit businesses and entities. By definition, the state is drawing new taxes from the organizations least financially structured to meet this significant new tax burden.

One notes that, if the theory behind this legislation is that the non-profits avail themselves of the benefits of the Hawaii's laws and protections, then there should be no reason for the committee to distinguish between the tax treatment of non-profits and that of Hawaii religious organizations.

The committee apparently does not deem its reasonable, fair, and appropriate to impose a temporary four percent (4%) tax religious organizations on all gross revenues, effective July 1, 2011 until June 30, 2015. Applying the same logic, philosophy, and fair treatment, the committee should defeat the pending bill as it applies to Hawaii's non-profit organizations.

Thank you for your anticipated understanding.

-Lawrence R. Cohen

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

RE: HB 799. Proposed HD 1, Relating to Taxation

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

The Pacific Telecommunications Council of Hawaii staunchly opposes HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue (with some revenue category exceptions) for all entities, referenced in HRS 237-23 (a) 3 – 10. Our primary concern is over the taxation of charitable nonprofits.

#### Reasons for Nonprofit Tax-Exempt Status

Nonprofit organizations require tax exemption because they provide necessary programs and services that the government sector is not willing or able to provide. Nonprofit organizations receiving tax-exempt status are required to carry out their charitable activities that benefit individuals, families, and communities.

H.B 799 and the even more unpalatable HD 1 version don't simply tax generic accounts of faceless organizations. Every dollar collected under H.B.799 is a dollar less that will go to feeding or educating a child, caring for an elderly person, training a disabled veteran, preserving Hawaiian culture, taking care of our aina. Real people, your constituents are helped everyday by the thousands of nonprofits across the state, which are dedicated solely to the public good. Services that we count on today will not be provided tomorrow if this bill passes.

#### Economic Impact of Nonprofit Tax-Exemptions

You must ask yourselves: How many dollars will it cost the State to provide the services that nonprofits cannot provide as a result of H.B.799? Nonprofit organizations provide these services with more economical efficiency than government.

It is expected that any revenues incurred from increased taxation of nonprofits will be spent by the state on even more expensive crisis response services.

#### Government Should Streamline Itself First Before Streamlining Nonprofits

Recent studies by the Urban Institute and the National Council of Nonprofits found that Hawaii is one of the worst states in the country in terms of government mid-stream contract changes and late payments to nonprofits. The reports found that nonprofits that contract with governments in the state are not paid the full costs of the services they provide, are forced to subsidize the government with interest-free loans, as a result of late payments, and suffer excessive bidding burdens and reporting requirements that are not streamlined and consistent across all contracting departments. Nonprofits already pay an unfair share through under funded, overburdened, shortchanged government contracts. Taxing nonprofits will only exacerbate this situation.

Essentially, by taxing the revenue received from a government contract, government is decreasing its own contract amount to the nonprofit, providing yet another example of under funding the nonprofit.

#### Nonprofit Organizations Are Good Corporate Citizens

☺ Nonprofit organizations DO currently pay General Excise Tax (GET) on gross revenues derived from fundraisers.

☺ Nonprofit organizations DO currently pay unrelated business income tax (UBIT) on forprofit ventures.

☺ Nonprofit organizations pay approximately \$1.45 billion in wages that DO get taxed on the federal and state level.

⊕ Nonprofit organizations receive much of their funding through fundraising. Most households support fundraising activities using income earned from wages. All such income IS already subject to both federal and state taxes.

#### Impact of Further Taxation

⊕ Nonprofit organizations are impacted by unexpected increases in at least two ways: 1) Possible closing down of organizations and/or laying off of employees, adding further strain on the state's budget and resources; and 2) Reduction and/or elimination of services that support the state's most vulnerable and needy citizens, further eroding the state's social safety net.

⊕ Nonprofit organizations provide necessary programs and services to the most vulnerable segment of Hawaii's population. If these programs and services cease to exist, those in need will either not receive the service or will go elsewhere, most likely to a government agency.

⊕ Nonprofit organizations receive fewer funds during tough economic times because of the manner in which nonprofits raise revenues (primarily through charitable contributions) and an increase in taxation would further undercut their funds.

⊕ Nonprofit organizations must absorb any tax increase in their existing budgets unless additional sources of financial support can be found through grants, or philanthropic donations, which is extremely difficult in the current economic climate.

⊕ Nonprofit organizations cannot pass on additional taxes to customers through price increases like the private sector.

⊕ Nonprofit donors want their charitable contributions to go for community services, not taxes. Taxing nonprofits has the effect of discouraging giving and volunteering. Our community needs more of what nonprofits and volunteers do, not less.

⊕ Nonprofit taxation in this form is akin to a pretty comprehensive repeal of nonprofit tax exemptions. It will be precedent-setting nationwide and will earn Hawai'i an infamous reputation of being unfriendly to the charitable sector, government's supposed partner. Quite simply, this committee is not acting in isolation. The national nonprofit community is watching what Hawai'i does.

HB 799, Proposed HD 1 fundamentally undermines the ability of nonprofit organizations to deliver on their charitable missions. We strongly oppose this measure and ask you to hold this bill.

Thank you for the opportunity to provide testimony.

Linda Ristow



February 25, 2011

COMMITTEE ON FINANCE

Rep. Marcus Oshiro, Chair  
Rep. Marilyn Lee, Vice Chair

Members of the House Committee on Finance

DATE: Friday, February 25, 2011  
TIME: 6:00 p.m.  
PLACE: Conference Room 308

**Re: HB 799, Proposed HD 1 – Relating to Taxation**

I am Dennis Oshiro, Executive Director of the Hawaii HomeOwnership Center (HHOC), a HUD-approved 501(c)3 nonprofit organization that provides homebuyer and foreclosure prevention counseling throughout the State of Hawaii. We will soon provide assistance to the Federal and State Courts with borrower/lender intervention in pending foreclosure cases.

HHOC **opposes** section 2, on page 2, line 10, of HB 799, proposed HD1. Faced with fewer resources and a growing client base, HHOC has already employed cost-cutting measures and collaborates with other organizations in order to maximize our resources.

In the absence of government and corporate financial support, HHOC has turned to fundraising events to help fill the void. We already do pay GET on those gross revenues, as well as pay unrelated business income taxes (UBIT) on for-profit activities. Passage of H.B. 799, proposed H.D. 1, will result in the following:

- a. Reduction of homebuyer counseling and foreclosure mitigation counseling services rendered to the community.
- b. Further cost-reduction with potential for staff reduction.
- c. With charitable giving and grant awards declining, a tax increase would further diminish our operating funds.

Thank you very much for the opportunity to provide testimony. I will be happy to provide further information or assistance at your request.

Dennis Oshiro  
Executive Director,  
Hawaii HomeOwnership Center

Phone: 523-9500  
Email: [dennis@hihomeownership.org](mailto:dennis@hihomeownership.org)

I respectfully submit my testimony in **strong** opposition of HB799 which would impose a temporary 4 % tax on *all gross revenue* for Hawaii nonprofits. As the executive director of a Hawai'i nonprofit organization, I am acutely aware of the profoundly negative impact this would have on the health and safety of our citizens. As a provider of mental health services for the underserved, uninsured, and severely mentally ill, this bill would seriously impair our ability to provide services to these individuals and potentially pose a risk to the community at large. This bill will cost taxpayers much more than it will generate in terms of increased crime in the present and longer term utilization of state funded services such as welfare and Medicaid in the future. Further, please consider the following points regarding nonprofit organizations:

- Nonprofit organizations require tax exemption because they provide necessary programs and services that the government sector is not willing or able to provide.
- Nonprofit organizations provide these services with more economical efficiency than government provides.
- Nonprofit organizations receiving tax-exempt status are required to carry out their charitable activities that benefit individuals, families, and communities.
- Nonprofit organizations have come under steady increased pressure due to state government cutbacks and an economic climate that has escalated the demand for its programs and services.
- Nonprofit Organizations DO Pay Taxes and Are Good Corporate Citizens
- Nonprofit organizations DO currently pay General Excise Tax (GET) on gross revenues derived from fundraisers.
- Nonprofit organizations DO currently pay unrelated business income tax (UBIT) on for profit ventures.
- Nonprofit organizations pay approximately \$1.45 billion in wages that DO get taxed on the federal and state level.
- Nonprofit organizations receive much of their funding through fundraising. Most households support fundraising activities using income earned from wages or consultant fees. All such income IS already subject to both federal and state taxes.

Mahalo for your consideration.

Ayda Austin  
Kāne'ohe, Hawai'i

February 25, 2011

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

RE: HB 799. Proposed HD 1, Relating to Taxation

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

I work for a non-profit organization that has existed in Hawai'i since 1900. Our mission is to empower women and girls so they can create positive changes that ripple out from themselves, to their families, to their communities. Over the course of 110+ years, we have transformed hundreds of thousands of lives in delivering our mission – and in doing so, have played an important part in helping create a better Hawai'i.

I would like to submit my testimony opposing HB 799, proposed HD 1, which imposes a temporary 4% tax on all gross revenue (with some revenue category exceptions) for all entities, referenced in HRS 237-23 (a) 3 – 10.

My primary concern is over the taxation of charitable nonprofits for the following reasons:

- Historically, non-profit organizations provide necessary programs and services the government sector is not willing or able to provide. Non-profits also provide these services with more efficiency, economically, than the government provides.
- Because of the way grants and funders operate, they typically pay for programs and direct services, not the indirect expenses that are critical to keeping these programs and services running. Raising revenues is a way for non-profits to pay for the operations that may not get covered through charitable gifts and donations. Because of how non-profits provide services, this taxation cannot be passed on to the consumer the way the private sector can.
- For non-profits who obtain grants that pay for these program service fees that low-income populations cannot afford to pay, these taxes will have to be absorbed into operating budgets instead of being paid for through existing grants – or will have to decrease the scope of who they serve. The end result is that these taxes could effectively put many non-profits out of business, and the burden of serving this population will be passed to government agencies – or barring that, other unintended consequences such as swelling of the homeless population will impact other local industries such as tourism.
- While I completely oppose HD 799, the timing is also extremely challenging. Doing this immediately does not even afford non-profits, who have their fiscal calendar beginning in January, any room to try and figure out alternatives. Those who cannot absorb the taxes into their operating budgets – and there will be many – will be left with little choice.

Why not invite non-profits into the conversation, to try and figure out how to do this together? Why not do the due diligence of going into the communities and non-profits to find out how to address this issue? While I understand the nature of the urgency, why not consider taking the time needed now to better understand the issue of tax exemptions and credits, and its impact on organizations?

In spite of this, I believe there is a possibility for a collective solution that helps non-profits maintain their ability to deliver their charitable missions and extend their impact in the community, without compromising the means of their existence. But if you want buy-in, then you must ask. Asking the community to tighten their belts – we all can attest to the need for that. But engage us in the process. Let us be part of the solution *together*.

Thank you for the opportunity to submit my testimony in opposition. I ask that you hold this bill.

Respectfully,

Marlene A. Zeug

## TESTIMONY RELATED TO HB799

Representatives, my name is Susan Maddox and I am currently interim Executive Director of Neighborhood Place of Kona.

While I appreciate the state of Hawaii's economy, the notion that subjecting non-profit organizations to the additional burden of paying General Excise Tax effective July 1, 2011 goes against all reason.

The State has already immeasurably negatively impacted more than 40 non-profit social service organizations by announcing in early February that their contracts will be terminated March 31, 2011, and more significantly by being more than 120 overdue in making payments for services already provided.

To add an additional 4% General Excise payment to the State from non-profits already reeling will NOT balance the State's budget. It will, however, see higher unemployment when non-profits are forced to lay off staff or close altogether, more demand by those most at risk for additional welfare cash assistance because services provided by the non-profits are no longer available.

Hawaii's non-profit organizations DO pay taxes and are a major economic segment of our economy. We pay General Excise Tax on gross revenues derived from fundraiser, and unrelated business income tax on for-profit ventures. We pay approximately \$1.45 billion in wages and DO pay taxes on a federal and state level...the proposed 4% General Excise Tax provision will NOT generate anywhere near the amount of State Withholding that will be lost due to layoffs.

Please consider the "unintended consequences" of subjecting non-profits for an additional burden of paying the General Excise Tax proposed by HB799.

Thank you very much for your consideration.

February 25, 2011

To: Representatives Marcus R. Oshiro, Chair  
Representatives Marilyn B. Lee, Vice-Chair  
Members of the Committee of Finance

From: Tanya & Michael Fitzgerald, Waianae, HI

Re: Opposition to HB 799, Proposed HD 1

Dear Committee Members,

We are a family of seven (7) and both my husband and I each work 50-60 hours a week to be able to provide the best opportunities to our keiki. The most essential of those opportunities is an excellent education.

Our three (3) keiki all attended independent, non-profit schools.

If this proposal were to pass, the schools would have to raise their tuition. My husband and I stretch every dollar and pinch every penny to ensure our keiki have the best education. If the tuition was to rise due to the passage of this proposal, we might have to place our keiki in public school. Doesn't that defeat the purpose of this proposal?

The public school system is overflowing with problems; both financial and administrative. Adding our keiki would only cause the financial problems to increase.

This seems to us, a case of Peter taking from Paul. It just does not make sense.

And this will not only affect non-profit schools, but all other non-profit organizations who are barely making ends meet in this financially difficult time.

Please think about how this will affect all the organizations which are so important to everyone on our islands and the people who receive assistance from them.

Thank you for your time.

Sincerely,  
Tanya Fitzgerald

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

Re: HB 799, Proposed HD 1, Relating to Taxation

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

As the Head of School at Hanahau'oli School in Makiki and as a long-time Board member of the Hawaii Association of Independent Schools, I strongly oppose HB 799, Proposed HD 1, which imposes a temporary 4% tax on all gross revenue for all entities, referenced in HRS 237-23 (a) 3 – 10. My primary concern is about taxation of non-profit educational institutions.

Independent schools account for almost 18% of the student population in our Islands and include three of the largest independent schools in the United States. As such, not only do they serve a significant portion of the student population but they also provide a significant number of jobs for our community. The parents of those students pay taxes that support public institutions as well as tuition; and, their employees also contribute significantly to the tax base. As you are aware, non-profits already pay General Excise Tax (GET) on gross revenues derived from fundraisers.

The addition of a tax as proposed in this bill would put an undue burden on our schools which already are dealing with the challenges of fund raising during tough economic times. Taxing nonprofits like independent schools has the effect of discouraging giving and volunteering. Add to that the need to use additional operating funds to satisfy tax assessments and schools will be faced with diminishing revenue resources to impact the quality of student learning, their very reason for existing. And for some, such taxes will mean closing their doors abandoning their missions, sending students and families into already overcrowded public schools and denying our citizens quality alternatives along with the freedom of choice.

An unintended consequence may be the need to eliminate programs that have recently been started by many of our schools to support connections with public schools. From summer programs that are funded by independent schools to encourage a college goal orientation for public school students to programs that invite public and private school teachers to work together and plan programs, we may find schools not able to pursue such public/private partnerships. What is currently being viewed as a "public purpose" for independent schools may fall by the wayside because funding is diverted to meeting tax obligations.

Non-profit organizations like independent schools require a tax exemption to provide programs the public sector is unable to offer and to satisfy their missions. By carrying out their missions, independent schools serve a significant purpose and benefit individuals, families and our entire community. I urge you to hold this bill. Thank you for this opportunity to offer testimony.

Robert G. Peters, EdD  
Head of Hanahau'oli School

2/24/2011

Dear Elected Official,

My name is Mark Pollard. I am a Hawaii resident, a timeshare owner, voter and an active member of the community. I oppose any increase in my timeshare TAT taxes. What other Hawaii resident is taxed to sleep in his own bed? We are the only people taxed this way in the United States and I find it already distasteful. An increase adds insult to injury. This tax is discriminatory against timeshare owners because if I owned a second vacation home or condo unit in Hawaii I would not have to pay this tax. But like them and all other owners of real property in Hawaii, I also pay real property, GET and conveyance taxes on my timeshare. Why should I also have to pay a transient tax to occupy the unit I have already paid for and own?

I realize you are facing difficult choices as you and the Governor deal with the State's budget crisis. However, raising the TAT on timeshares is wrong and should not pass. Please vote no on these bills.

*Mark Pollard*

*115 Anahola St*

*Honolulu Hawaii 96825.*



## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 5:12 PM  
**ro:** FINTestimony  
**Cc:** whistlepig@hawaiiantel.net  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Stephanie Ladwig  
Organization: Individual  
Address:  
Phone:  
E-mail: [whistlepig@hawaiiantel.net](mailto:whistlepig@hawaiiantel.net)  
Submitted on: 2/25/2011

### Comments:

Rather than having a positive impact on the State's financial situation, this bill would have the opposite effect. Many non-profits would simply not be able to absorb the additional costs imposed on them by this bill, and would either have to cut back on services or close down. Services provided by these non-profits would generally not be picked up by private-sector firms, and thus the State (or the Counties, or the Federal government) would be left to fill in the gap, at a cost to them, and therefore, the taxpayers. Non-profits would additionally be forced to lay off staff, who would then very likely draw unemployment, again, at a cost to the state. Laid-off workers don't pay income tax, don't spend their earnings in the community, and use social services such as food stamps and Medicaid. This will reduce the State coffers rather than increase them. This seems like a very short-sighted and ineffective fix to a budget short-fall which will get larger when non-profits shut their doors.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 25, 2011 6:10 PM  
**To:** FINTestimony  
**Cc:** rosalime@aol.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM  
**Attachments:** HB799 testimony.pdf

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Robert Pollock  
Organization: Ebb & Flow Arts  
Address:  
Phone:  
E-mail: [rosalime@aol.com](mailto:rosalime@aol.com)  
Submitted on: 2/25/2011

Comments:

This dangerous proposed legislation erodes the purpose and very existence of non-profit 501 © (3) corporations in Hawai'i. In a mostly profit oriented society, the non-profit corporations play by other rules. They are designed to act selflessly, and maintain operations in a sustainable manner. Do not place in jeopardy these necessary organizations in our state. By removing their immunity from taxation on revenues, one of the few benefits they derive from an anomalous and often treacherous existence, the HB799 legislation would remove one of their incentives for survival.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 3:41 PM  
**fo:** FINTestimony  
**Cc:** gerry@ballethawaii.org  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Gerry Allen  
Organization:  
Address:  
Phone:  
E-mail: [gerry@ballethawaii.org](mailto:gerry@ballethawaii.org)  
Submitted on: 2/25/2011

Comments:

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 3:40 PM  
**To:** FINTestimony  
**Cc:** t.dale@4ddesigns.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Tonya Dale  
Organization: Individual  
Address:  
Phone:  
E-mail: [t.dale@4ddesigns.com](mailto:t.dale@4ddesigns.com)  
Submitted on: 2/25/2011

**Comments:**

The suspension of exemptions for contracting purposes will put many small businesses out of business, as well as raising prices for homeowners wishing to build or renovate homes. This will place an even greater burden on the struggling construction industry here in Hawaii. This bill is unacceptable for those of us who are in this industry, and strive to make Hawaii a great place to live. We will be out of business if this is passed.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 3:47 PM  
**fo:** FINTestimony  
**Cc:** gbiven@hicoffeeco.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Gloria Biven  
Organization: Individual  
Address:  
Phone:  
E-mail: [gbiven@hicoffeeco.com](mailto:gbiven@hicoffeeco.com)  
Submitted on: 2/25/2011

**Comments:**

I very strongly oppose.

Most non profits are for the benefit of all people. Many non profits supporters are donating their own time and money to support the organization anyway.

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 3:45 PM  
**fo:** FINTestimony  
**Cc:** jmuncaster@hawaii.rr.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Judy Muncaster  
Organization: Individual  
Address:  
Phone:  
E-mail: [jmuncaster@hawaii.rr.com](mailto:jmuncaster@hawaii.rr.com)  
Submitted on: 2/25/2011

Comments:

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 3:40 PM  
**fo:** FINTestimony  
**Cc:** t.dale@4ddesigns.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Tonya Dale  
Organization: Individual  
Address:  
Phone:  
E-mail: [t.dale@4ddesigns.com](mailto:t.dale@4ddesigns.com)  
Submitted on: 2/25/2011

**Comments:**

The suspension of exemptions for contracting purposes will put many small businesses out of business, as well as raising prices for homeowners wishing to build or renovate homes. This will place an even greater burden on the struggling construction industry here in Hawaii. This bill is unacceptable for those of us who are in this industry, and strive to make Hawaii a great place to live. We will be out of business if this is passed.



## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 25, 2011 3:16 PM  
**To:** FINTestimony  
**Cc:** sjcollector@msn.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Steve Collector  
Organization: Individual  
Address:  
Phone:  
E-mail: [sjcollector@msn.com](mailto:sjcollector@msn.com)  
Submitted on: 2/25/2011

**Comments:**

I strobgly oppose HB799. Taxing non profits, may seriously impact their ability to perform their missions.

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 4:19 PM  
**fo:** FINTestimony  
**Cc:** mike@darceybuilders.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM  
**Attachments:** testimony.docx

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: MIke Darcey  
Organization:  
Address:  
Phone:  
E-mail: [mike@darceybuilders.com](mailto:mike@darceybuilders.com)  
Submitted on: 2/25/2011

Comments:

The state legislature needs to find ways to cut spending in lieu of cutting the spending of individuals.

In a time when people are just beginning to start feeling secure with money they are spending to find that once again the money is worth so much less will cause many of them to put things on hold, saving that hard earned cash for another day when the economy looks promising again.

Business owners who are affected by this bill will inevitably pass all of these additional tax costs through to the end user. You passing this bill guarantees that every day citizen pays more money for goods and services and I for one will make sure that everyone I am in contact with understands this clearly.

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 25, 2011 4:21 PM  
**To:** FINTestimony  
**Cc:** ken@kaihawaii.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Ken Hayashida  
Organization: KAI Hawaii, Inc.  
Address:  
Phone:  
E-mail: [ken@kaihawaii.com](mailto:ken@kaihawaii.com)  
Submitted on: 2/25/2011

Comments:

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**sent:** Friday, February 25, 2011 4:22 PM  
**To:** FINTestimony  
**Cc:** mstanley@kaihawaii.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Melanie Stanley  
Organization: Individual  
Address:  
Phone:  
E-mail: [mstanley@kaihawaii.com](mailto:mstanley@kaihawaii.com)  
Submitted on: 2/25/2011

Comments:

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 12:42 PM  
**fo:** FINTestimony  
**Cc:** cpa@bisac.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Sandra Silva  
Organization:  
Address:  
Phone:  
E-mail: [cpa@bisac.com](mailto:cpa@bisac.com)  
Submitted on: 2/25/2011

Comments:  
This bill would effectively cripple our agency.

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 12:33 PM  
**To:** FINTestimony  
**Cc:** jonnakamotocpa@gmail.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Jon Nakamoto  
Organization: Individual  
Address:  
Phone:  
E-mail: [jonnakamotocpa@gmail.com](mailto:jonnakamotocpa@gmail.com)  
Submitted on: 2/25/2011

Comments:  
House Finance Committee,

I do not agree with HB 799 to tax nonprofits. Taxing nonprofits will further erode our financial stability at a time when we are already struggling. If HB799 passes, I fear many nonprofits will be forced to scale back their programs or worse cease to exist.

I have volunteered with three nonprofits because I care and want to help. All are small and struggling. You can help by not taxing nonprofits and taking away our cash.

Your budget shortfall should be covered by reducing spending instead of raising our taxes. It takes courage and discipline to reduce spending; but that is what I expect from my elected officials.

Respectfully,  
Jon Nakamoto

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 25, 2011 10:24 AM  
**To:** FINTestimony  
**Cc:** gpayton@mhkhawaii.org  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Greg Payton  
Organization: Individual  
Address:  
Phone:  
E-mail: [gpayton@mhkhawaii.org](mailto:gpayton@mhkhawaii.org)  
Submitted on: 2/25/2011

Comments:



## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 25, 2011 10:16 AM  
**To:** FINTestimony  
**Cc:** robert@sharkscavern.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Robert Rhodes  
Organization: Individual  
Address:  
Phone:  
E-mail: [robert@sharkscavern.com](mailto:robert@sharkscavern.com)  
Submitted on: 2/25/2011

**Comments:**

HB 799, Proposed HD1 - temporary 4% tax on non-profits.

1. Non-profits typically operate on the border of profit and loss all the time. A tax would certainly send that into the loss column more often than not, and as a result, potentially create job losses at a time when Hawaii can ill afford to do so.

. There is no such thing as a temporary tax.

3. Stop spending money the state doesn't have, and you won't have to burden businesses - profit or non-profit - for their hard-earned money.

## FINTestimony

---

From: mailinglist@capitol.hawaii.gov  
Sent: Friday, February 25, 2011 10:09 AM  
To: FINTestimony  
Cc: zspamtrap@yahoo.com  
Subject: Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Michelle Medeiros  
Organization: Individual  
Address:  
Phone:  
E-mail: [zspamtrap@yahoo.com](mailto:zspamtrap@yahoo.com)  
Submitted on: 2/25/2011

### Comments:

Friends of the Future (FOF) is a 501(c)3 nonprofit organization incorporated in the State of Hawai'i. Like many other nonprofits, FOF does currently pay General Excise Tax (GET) on gross revenues derived from fundraisers.

Hawai'i's nonprofit organizations provide necessary programs and services that the government sector is not willing or able to provide. The ability of Hawai'i's nonprofit organizations to provide essential programs and services have come under steady increased pressure due to state government cutbacks coupled with an increasing demand for its programs and services.

The economic climate has affected all sectors of business. Nonprofits are at the end of the "food chain" and nonprofit revenues from grants, donations, and fundraisers are all ready reduced. Adding another expense in the way of taxes to the already strained budgets of nonprofits will result in reduced or eliminate critical programs and services and possibly the collapse of valuable nonprofits.

I urge you to oppose HB 799, Proposed HD1

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 25, 2011 10:15 AM  
**To:** FINTestimony  
**Cc:** dharmadasi@msn.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Dharma Darlene Wease  
Organization: Individual  
Address:  
Phone:  
E-mail: [dharmadasi@msn.com](mailto:dharmadasi@msn.com)  
Submitted on: 2/25/2011

**Comments:**

Please do not tax these organizations that are already struggling in the face of cuts across the board which are affecting funding at all levels! One more hit could mean the end to many small non-profits such as ours...the grassroots kind that perhaps are helping the most people at the hardest-to-reach levels.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 25, 2011 10:15 AM  
**To:** FINTestimony  
**Cc:** katrina\_thats\_me@hotmail.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Katrina Thompson  
Organization: Individual  
Address:  
Phone:  
E-mail: [katrina thats me@hotmail.com](mailto:katrina_thats_me@hotmail.com)  
Submitted on: 2/25/2011

**Comments:**

Please reconsider HB799. This would put Hawaii's non-profits in an unfortunate circumstance of having to pay a 4% tax on revenue. Non-profits in Hawaii are already struggling, and with the many budget cuts soon to come, it will be very difficult for organizations to thrive with less funding and additional taxes. Nonprofit organizations provide critical services that the government sector is not willing or able to provide. Please reconsider HB799. Mahalo.

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 10:18 AM  
**To:** FINTestimony  
**Cc:** sbsuch@mhkhawaii.org  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Summer Such  
Organization: Individual  
Address:  
Phone:  
E-mail: [sbsuch@mhkhawaii.org](mailto:sbsuch@mhkhawaii.org)  
Submitted on: 2/25/2011

Comments:

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 10:19 AM  
**To:** FINTestimony  
**Cc:** karenh@molokai.org  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Karen Holt  
Organization: Individual  
Address:  
Phone:  
E-mail: [karenh@molokai.org](mailto:karenh@molokai.org)  
Submitted on: 2/25/2011

**Comments:**

This bill will devastate non-profits like ours that have already cut budgets to the bone in order to continue providing critical services.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 3:01 PM  
**To:** FINTestimony  
**Cc:** john@ballethawaii.org  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: John Parkinson  
Organization: Ballet Hawaii  
Address:  
Phone:  
E-mail: [john@ballethawaii.org](mailto:john@ballethawaii.org)  
Submitted on: 2/25/2011

### Comments:

Historical Relationship Between Government and Nonprofit Sector

- ☑ Nonprofit organizations require tax exemption because they provide necessary programs and services that the government sector is not willing or able to provide.1
- ☑ Nonprofit organizations provide these services with more economical efficiency than government provides.2
- ☑ Nonprofit organizations receiving tax-exempt status are required to carry out their charitable activities that benefit individuals, families, and communities.3
- ⚠ Nonprofit organizations have come under steady increased pressure due to state government cutbacks and an economic climate that has escalated the demand for its programs and services. Nonprofit Organizations DO Pay Taxes and Are Good Corporate Citizens
- ☑ Nonprofit organizations DO currently pay General Excise Tax (GET) on gross revenues derived from fundraisers.
- ☑ Nonprofit organizations DO currently pay unrelated business income tax (UBIT) on forprofit ventures.
- ☑ Nonprofit organizations pay approximately \$1.45 billion in wages that DO get taxed on the federal and state level.4
- ☑ Nonprofit organizations receive much of their funding through fundraising. Most households support fundraising activities using income earned from wages or consultant fees.5 All such income IS already subject to both federal and state taxes.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 1:30 PM  
**To:** FINTestimony  
**Cc:** ThomasNoyes@hawaiiantel.net  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Thomas Noyes  
Organization: Kauai Path  
Address:  
Phone:  
E-mail: [ThomasNoyes@hawaiiantel.net](mailto:ThomasNoyes@hawaiiantel.net)  
Submitted on: 2/25/2011

**Comments:**

I OPPOSE HB 799 because non-profits are being expected to take responsibility for managing an ever increasing number of social issues that in the past have been the government's role. Please do not add this fiscal burden to an already stressed social services network.



## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 11:59 AM  
**fo:** FINTestimony  
**Cc:** director@volcanoartcenter.org  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Tanya Aynessazian  
Organization: Volcano Art Center  
Address:  
Phone:  
E-mail: [director@volcanoartcenter.org](mailto:director@volcanoartcenter.org)  
Submitted on: 2/25/2011

Comments:

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 12:24 PM  
**To:** FINTestimony  
**Cc:** kperske@hawaiiantel.net  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: ken perske  
Organization: Honolulu Bulls Soccer Club  
Address:  
Phone:  
E-mail: [kperske@hawaiiantel.net](mailto:kperske@hawaiiantel.net)  
Submitted on: 2/25/2011

### Comments:

As President of the Honolulu Bulls Soccer Club, I represent my 550 members in opposing HB799. Our nonprofit provides a valuable service to the city, the state and even the nation; by promoting excellence in the sport of soccer to the point that Hawaii definitely is on the map of the soccer world. We promote a healthy lifestyle for hundreds of kids each year through the sport by providing them with the best coaches. We already pay GET, and an additional 4% would be an unreasonable cost that we would have to obtain through more fundraising or increasing fees. As it is now, we barely break even at the end of the year. Increases in league fees and a user fee for Waipio (soccer is the only sport charged for field use) contribute to our truly nonprofit status. Please DO NOT PASS HB 799...for the kids.

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 11:29 AM  
**To:** FINTestimony  
**Cc:** lisa@utopia-photo.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Lisa Uesugi  
Organization: Projectfocus Hawaii  
Address:  
Phone:  
E-mail: [lisa@utopia-photo.com](mailto:lisa@utopia-photo.com)  
Submitted on: 2/25/2011

Comments:

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 25, 2011 11:38 AM  
**To:** FINTestimony  
**Cc:** john.leong@kupuhawaii.org  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: John Leong  
Organization: Kupu  
Address:  
Phone:  
E-mail: [john.leong@kupuhawaii.org](mailto:john.leong@kupuhawaii.org)  
Submitted on: 2/25/2011

Comments:  
Aloha,

I am the Executive Director of Kupu, a Hawaii-based 501c3 non-profit organization. We provide youth training and job readiness programs through our youth corps programs. Currently we have six programs that benefit 400 individuals statewide. Our programs produce a 3:1 economic benefit compared to their costs. Most of our funds are through grants and do not have allocations for GE Taxes in our budget. Furthermore, the unrestricted funds we do have help to pay for essential administrative needs of our organization. The GE Tax would severely and negatively impact our organization and possibly keep us from providing our services. Currently we receive the largest federal AmeriCorps grant in the state. Yet the indirect rate allowed was only 5.24%. We use this very modest amount to pay for rent, overhead costs, and other items. With having such small margins, having a GE Tax to pay would destroy our ability to function. Furthermore, our programs not only provide an economic benefit to the state and allow us to provide services more cost effectively to those we serve (which is very important during these economically challenging times), but we also reduce costs to our state by keeping kids out of correctional facilities and other federal or state funded social rehabilitation programs. The economic, and social losses of our programs and other similar non-profits would far outweigh the economic short term gain from imposing a GE Tax on non-profits. Furthermore, the number of non-profits which would not be able to garner additional funds in this economy would lead to a number of non-profits going out of business and consequently not only would you lose their partnership in making our state better but you would also lose the associated revenue while taking on the costs of not having those programs or replicating those programs elsewhere.

At this juncture in our economy, we need to fully support collaborative efforts where both public and private sector are working together for the best long-term good of the state. While the GE Tax to non-profits might provide marginal gain in the short-term, the long-term effect would be devastating.

Thank you very much for your consideration and please vote no on this bill.

Aloha,  
John Leong

Mr. Leong is the Executive Director of Kupu and a graduate of the Wharton school of business at the University of Pennsylvania. He was also selected as the Bank of Hawaii Community Leader of the Year and one of the 40 Under Forty business leaders by Pacific Business News in 2010.

## **FINTestimony**

---

**m:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 25, 2011 11:28 AM  
**To:** FINTestimony  
**Cc:** rae@hawaiimaoli.org  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Rae DeCoito  
Organization: Hawaii Maoli  
Address:  
Phone:  
E-mail: [rae@hawaiimaoli.org](mailto:rae@hawaiimaoli.org)  
Submitted on: 2/25/2011

### Comments:

It is vital that the State not penalize non-profits with any tax burden. As an Executive Director for a small non-profit serving Native Hawaiians, I am happy just to keep my doors open. The services sector is being hit hard in so many areas. We all continue to provide the much needed services with less and less resources. I know these are tough times, but clearly, non profits are the governments partners in delivering much needed services that your unable perform yourself. Please don't tax the small organizations anymore. In fact, please encourage endowments and other donations by giving the extremely wealthy tax breaks on qualified donations to local non-profits.

## FINTestimony

---

From: mailinglist@capitol.hawaii.gov  
Sent: Friday, February 25, 2011 11:19 AM  
To: FINTestimony  
Cc: office@agleaderhi.org  
Subject: Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Kimberley Coffee-Isaak  
Organization:  
Address:  
Phone:  
E-mail: [office@agleaderhi.org](mailto:office@agleaderhi.org)  
Submitted on: 2/25/2011

### Comments:

Nonprofit organizations are an important part of American society and Hawaii's communities. They exist to provide important and necessary services and programs that government and for-profit businesses are unable to provide. We are able to deliver services and programs because we use our precious resources (many times consisting of volunteer hours and philanthropic dollars) directly on our services and programs. The additional expense and burden of taxes on profit organizations, especially the smaller ones, will have cascading consequences throughout out Hawaii's communities.

While we recognize the challenge of balancing Hawaii's State budget we are not convinced enough research (cost-benefit analysis) has been done to show the consequences of adding this tax burden to entities that are supporting the important societal needs of our state. We respectfully request you do not include a temporary 4 % tax on ALL GROSS income for nonprofit organizations.

Sincerely,

Kim Coffee-Isaak  
Executive Director  
Agricultural Leadership Foundation of Hawaii

## FINTestimony

---

From: mailinglist@capitol.hawaii.gov  
Sent: Friday, February 25, 2011 10:43 AM  
To: FINTestimony  
Cc: shirstein@ipahawaii.org  
Subject: Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Stuart Hirstein  
Organization: Island Pacific Academy  
Address:  
Phone:  
E-mail: [shirstein@ipahawaii.org](mailto:shirstein@ipahawaii.org)  
Submitted on: 2/25/2011

### Comments:

Island Pacific Academy strongly opposes House Bill 799.

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 school will force tuition increases. Our school has been striving mightily this past year to maintain the cohesiveness of our school community. We have seen a large growth in the number of families who are asking for financial aid. This measure would add to the already high levels of need-based tuition assistance.

Our school is affordable, accessible and diverse. In addition to serving families from all walks of life, our school employs 145 faculty and staff. With these few examples, it is evident that our private school is 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 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 IPA and other independent schools would be disruptive to families, students, teachers, staff and to the public good.

Mahalo for the opportunity to write in our opposition to this bill.



## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, February 25, 2011 10:27 AM  
**To:** FINTestimony  
**Cc:** mgleason@hiloarc.org  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Mike Gleason  
Organization: The Arc of Hilo  
Address:  
Phone:  
E-mail: [mgleason@hiloarc.org](mailto:mgleason@hiloarc.org)  
Submitted on: 2/25/2011

**Comments:**

Aloha Committee members,

Non-profit organizations provide much needed services to the most vulnerable populations in our communities and work with none or very little profit margins. Taxing our revenues would seriously hamper our ability to provide these needed services and cause many non-profit organizations to close their doors. Please do not pass HB799.  
lahalo

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 1:27 AM  
**ro:** FINTestimony  
**Cc:** lmaruyama@hano-hawaii.org  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: Lisa Maruyama  
Organization: Hawaii Alliance of Nonprofit Organizations  
Address:  
Phone:  
E-mail: [lmaruyama@hano-hawaii.org](mailto:lmaruyama@hano-hawaii.org)  
Submitted on: 2/25/2011

Comments:

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Thursday, February 24, 2011 10:22 PM  
**ro:** FINTestimony  
**Cc:** lkawasak@youngsmarket.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: Laurie Kawasaki  
Organization: Better Brands  
Address:  
Phone:  
E-mail: [lkawasak@youngsmarket.com](mailto:lkawasak@youngsmarket.com)  
Submitted on: 2/24/2011

Comments:

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 2:16 PM  
**To:** FINTestimony  
**Cc:** lshigemura@straub.net  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: LISA A. SHIGEMURA  
Organization: Individual  
Address:  
Phone:  
E-mail: [lshigemura@straub.net](mailto:lshigemura@straub.net)  
Submitted on: 2/25/2011

Comments:

## **FINTestimony**

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 1:27 PM  
**To:** FINTestimony  
**Cc:** jwisthoff@aol.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Jay Wisthoff  
Organization: Individual  
Address:  
Phone:  
E-mail: [jwisthoff@aol.com](mailto:jwisthoff@aol.com)  
Submitted on: 2/25/2011

**Comments:**

I support the Maui YMCA and oppose any effort to tax thier organization.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 12:03 PM  
**fo:** FINTestimony  
**Cc:** peoples@lava.net  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Nancy Aleck  
Organization:  
Address:  
Phone:  
E-mail: [peoples@lava.net](mailto:peoples@lava.net)  
Submitted on: 2/25/2011

Comments:  
remove ALL other tax exemptions BEFORE going after nonprofit organizations-we are already taking up state slack

Thank you!

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 12:18 PM  
**fo:** FINTestimony  
**Cc:** deshayne@deshayne.net  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Donn DeShayne  
Organization: Individual  
Address:  
Phone:  
E-mail: [deshayne@deshayne.net](mailto:deshayne@deshayne.net)  
Submitted on: 2/25/2011

**Comments:**

Its a bad idea to tax valuable non profits during hard times when their revenues are down and their need is increased due to curtailed government services. Find a sector of the population who is not already heavily impacted by hard times.

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 12:12 PM  
**fo:** FINTestimony  
**Cc:** castberg@hawaii.edu  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Anthony Castberg  
Organization: Individual  
Address:  
Phone:  
E-mail: [castberg@hawaii.edu](mailto:castberg@hawaii.edu)  
Submitted on: 2/25/2011

**Comments:**

I am on the board of two non-profits, both of which are great assets to the community. It is becoming more and more difficult to secure funds, even though we are saving the state money in one non-profit (Kuikahi Mediation Center) and providing free education in the other (Volcano Art Center).



## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**sent:** Friday, February 25, 2011 12:11 PM  
**to:** FINTestimony  
**Cc:** rzahl@maui.net  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: R Zahl  
Organization: Individual  
Address:  
Phone:  
E-mail: [rzahl@maui.net](mailto:rzahl@maui.net)  
Submitted on: 2/25/2011

Comments:

## FINTestimony

---

**From:** mailinglist@capitol.hawaii.gov  
**ent:** Friday, February 25, 2011 12:55 PM  
**To:** FINTestimony  
**Cc:** gimlim@hotmail.com  
**Subject:** Testimony for HB799 on 2/25/2011 6:00:00 PM

Testimony for FIN 2/25/2011 6:00:00 PM HB799

Conference room: 308  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: Gim Lim  
Organization: Individual  
Address:  
Phone:  
E-mail: [gimlim@hotmail.com](mailto:gimlim@hotmail.com)  
Submitted on: 2/25/2011

**Comments:**

Please continue to give non profits a tax exemption, especially in these tough economic timee. Mahalo.

