



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

HEARING Thursday, February 23, 2012
9:00 am
Conference Room 211

RE: SB2226, SD1 Relating to Taxation

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

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing about 200 members and over 2,000 storefronts, and is committed to supporting the retail industry and business in general in Hawaii.

RMH supports SB2226, SD1, which adopts amendments to Hawaii's tax laws to implement Streamlined Sales and Use Tax Agreement.

Through our affiliation with the National Retail Federation, the world's largest retail trade association, and a major participant in the Streamlined Sales Tax Project, RMH has watched the development and progress of this program over the past ten years and has supported Hawaii's initiatives to participate in the multi-state discussions.

As electronic commerce continues its dramatic increase, traditional brick and mortar retailers, which are required by law to collect taxes for government, are experiencing continued erosion of their sales base to remote sellers, which, under most circumstances, are not subject to tax mandates. The Streamlined Sales and Use Tax Project will level the playing field. The unfair disadvantage our local small businesses are experiencing leads to less commerce at brick-and-mortar establishments that most certainly affects employment. It's important to understand that collecting the sales tax won't hurt small businesses that operate online; in fact, there will be exemptions for the smallest sellers.

The reality is that the State of Hawaii has considerable liabilities and unfunded mandates that cannot be satisfied without additional revenue or cutting essential services. It is more than reasonable to collect a tax that's already due before instituting new taxes on everyone. Tax revenue generated from online sales can be used to pay down deficits and get Hawaii back on track toward fiscal solvency.

Retailers nationally are encouraged that current initiatives in Congress, Main Street Fairness Act, Marketplace Fairness Act and Marketplace Equity Act hold greater promise to ameliorate this unfair situation, and there is consensus that this legislation will be enacted soon. SB2226, SD1 makes the necessary amendments to Hawaii tax laws to facilitate our compliance.

We respectfully request that you pass SB2226, SD1. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

February 23, 2012

The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: S.B. 2226, S.D.1, Relating To Taxation

DECISION MAKING: Thursday, February 23, 2012, at 9:00 a.m.

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

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance, submitting written comments on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its 8,500 members. HAR **supports** S.B. 2226, S.D.1, Relating to Taxation, which adopts amendments to Hawai'i tax laws to implement the Streamlined Sales and Use Tax Agreement.

The Report of the 2001-2003 Tax Review Commission states that Hawai'i would potentially achieve not only the benefit of better definitions, uniformity, and certainty, but also increase tax compliance by interstate vendors (primarily mail order and e-commerce merchants) who agree to pay state taxes under the Streamlined Sales Tax Project. The Report goes on to state that because of Hawai'i's uniquely broad based General Excise and Use Tax system, by joining the Streamlined Sales Tax Project, Hawai'i may be able to better maintain the viability of its broad revenue base.

The Report of the 2005-2007 Tax Review Commission, however, states that while the Commission believes that the goal of coordinating the collection of taxes on interstate sales, such as via the internet, is desirable, and that Hawai'i should remain involved in discussions on the Streamlined Sales Tax Project, the Commission did not think that Hawai'i should make a formal commitment yet.

HAR believes that the procedures set forth in Section 32 of S.B. 2226, S.D.1, should help alleviate some of the concerns of the 2005-2007 Tax Review Commission, and that S.B. 2226, S.D.1, should eventually level the playing field for local merchants who must deal with the high cost of doing business in Hawai'i and still compete with mail order and e-commerce merchants from outside of the State.

Mahalo for the opportunity to submit written comments.

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

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

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
meito@goodsill.com
ckaramatsu@goodsill.com
ahoriuchi@goodsill.com

TO: Senator David Ige
Chair, Committee on Ways and Means
Via Email: WAMtestimony@capitol.hawaii.gov

FROM: Mihoko E. Ito

DATE: February 20, 2012

RE: **S.B. 2226, SD1 – Relating to Taxation**
Decision Making: Thursday, February 23, 2012 at 9:00 a.m.
Room 211

Dear Chair Ige and Members of the Committee on Ways and Means:

I am Mihoko Ito, an attorney with Goodsill Anderson Quinn & Stifel, submitting comments on behalf of Walgreen Co. (“Walgreens”). Walgreens operates more than 8,200 locations in all 50 states, the District of Columbia and Puerto Rico. In Hawai`i, Walgreens now has 11 stores on the islands of Oahu, Maui and Hawai`i.

Walgreens **supports the intent** of S.B. 2226, SD1 which adopts amendments to Hawai`i tax laws to implement the streamlined sales and use tax agreement.

Walgreens believes that all retailers can conduct their business in a fair, competitive environment. Walgreens supports this measure to the extent that it seeks to level the playing field so that local "brick-and-mortar" stores operate under the same rules and online sellers.

Thank you very much for the opportunity to submit comments regarding this measure.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association
February 23, 2012

S.B. 2226, S.D. 1 – RELATING TO TAXATION

The Hawaii Government Employees Association supports the purpose and intent of S.B. 2226, S.D. 1, which makes specific changes to Hawaii's tax law that will enable the State to tax Internet-based transactions through its participation in the national Streamlined Sales and Use Tax Agreement (SSUTA). Participation in the SSUTA requires Hawaii to change its tax law to be in conformity with the agreement. If enough states agree to a uniform framework, taxing Internet transactions could overcome constitutional barriers against infringements on interstate commerce by Congress enacting the necessary legislation in 2012.

There are several compelling reasons for taxing Internet-based transactions. Retail trade has been transformed by the Internet. As the popularity of "e-commerce" grows, fairness dictates that Internet-based transactions should be treated in the same manner as other retail transactions. Retail transactions that are taxable by "bricks and mortar" retailers should also be taxable when sold through the Internet.

People in Hawaii and across the country are going online to buy a variety of goods (clothes, furniture, computers and electronics) in an effort to save money. While buying such goods may cost less than in a retail store, the purchases are costly to states and local government that miss the streamlined sales tax revenue. Hawaii has already lost millions of dollars in Internet-based sales, and the losses will likely increase as the importance of the Internet continues to grow.

These losses exacerbate the budget problems we face and affect the ability of state government to provide essential services such as education, health care, social services along with other important priorities. S.B. 2226, S.D. 1 will also allow the state to begin collecting use taxes that currently exist under Chapter 238, HRS, which are presently going uncollected on the majority of out-of-state purchases.

Therefore, we support S.B. 2226, S.D. 1 that makes the changes to the tax code to comply with the SSUTA. The ongoing loss of millions in tax revenue from e-commerce is a problem that will get worse over time unless we take appropriate action. The revenues gained through the Internet sales may be used to fund public education, health care, social services and other important state priorities.

Thank you for the opportunity to testify in support of this important measure.

Respectfully submitted,

Randy Perreira
Executive Director