

Senator Carol Fukunaga, Chair  
Senator Glenn Wakai, Vice Chair  
Committee on Economic Development & Technology  
State Capitol, Honolulu, Hawaii 96813

LATE



HEARING Monday, January 31, 2011  
1:45 pm  
Conference Room 016

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

Chair Fukunaga, Vice Chair Wakai, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to the support of the retail industry and business in general in Hawaii. Retail is one of the largest single employers in the state, employing almost 24% of the labor force.

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

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

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

Further analytical evidence indicates:

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

To clarify that the exemption must be passed on by the retailer to the ultimate consumer, we respectfully request the insertion of language similar to that in SB851, perhaps at the end of Section 2, after (d):

- All savings generated by this section shall be passed on by the seller to the purchaser without any increase in price.
- The exemption provided in this section shall not apply to: 1) Rebates, layaway sales, rain checks, or exchanges when the transactions occur before or after the tax holiday period; and 2) Mail, telephone, e-mail, or internet orders with businesses operating outside the state of Hawaii.

The tax exemption proposed in this measure will provide needed cost savings to Hawaii's families, especially during the back-to-school time frame, when there already are considerable budgetary concerns with getting children ready for a new school year.

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

Carol Pregill, President

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