

**Testimony submitted to the House Committee on Water and Land**

**RE: House Bill 1117, Relating to General Excise Tax**

Chair Cindy Evans, Vice Chair Justin Woodson and Committee Members:

My name is Charles Spiegel and I am the Managing Member] for Protech Roofing and Insulation.

We submit the following comments in opposition to the above referenced bill, which seeks to deny GET exemptions for housing projects build on federal lands.

GET exemptions are currently authorized under HRS 201H-36 for any qualified person or firm involved with a newly constructed or moderately or substantially rehabilitated project developed under a government assistance program approved by the corporation. It does not differentiate between state, county or federal lands. To exclude approved government assisted housing projects on federal land from exemptions available to state and county lessees with approved government assisted housing projects, appears to be unconstitutional.

Denying GET exemptions for housing projects built on federal lands will have a significant negative impact on federal housing programs as well as the greater community; savings derived from GET exemptions directly finance construction, renovation, and management of family. None of the GET exemptions accrue to the federal housing developer. Loss of the GET exemption means a reduction in scope resulting in:

- Less contractual work available to the state's local businesses
- Fewer jobs to union construction workers
- Less revenues for suppliers and vendors

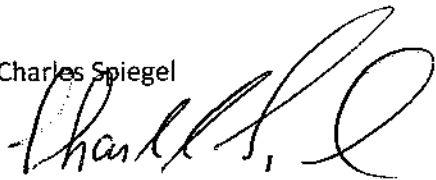
Federal housing programs have helped sustain the construction industry on Oahu during tough economic times, supporting local businesses and providing work to countless members from across the trades.

Providing affordable housing on federal lands removes military personnel and their families from an already limited private rental market off post, which increases availability of homes and helps housing prices for local families.

Should HB1117 come into effect, negative consequences will be experienced by our businesses, families, and community.

Thank you for the opportunity to submit comments on these bills.

Charles Spiegel



Protech Roofing and Insulation.

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Chair Cindy Evans, Vice Chair Justin Woodson and Committee Members:

My name is Angelito P. Agsalud and I am the President for Agsalud Construction, Inc.

General Contractor specializing in Finish Carpentry, Remodel & Renovations

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Chair Cindy Evans, Vice Chair Justin Woodson and Committee Members:

My name is James N. Close and I am the Owner / President for Close Construction, Inc.

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TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON WATER AND LAND  
ON  
HOUSE BILL NO. 1117

February 11, 2013

RELATING TO THE GENERAL EXCISE TAX

House Bill No. 1117 repeals the General Excise Tax (GET) exemption for housing projects built on federal lands and provides that tax revenues gained from repealing this exemption shall be deposited into the Rental Housing Trust Fund for the purpose of building affordable rental housing for homeless families with children.

The Department of Budget and Finance (B&F) is strongly opposed to this bill because the direct set aside of GET revenues to the credit of the Rental Housing Trust Fund would not go through the appropriation process.

The appropriation process is important as it provides Executive and Legislative oversight and control of State funds. Through the appropriation process, the Legislature has direct control over the use of State funds, and the Executive, by releasing funds through the allotment process, also provides a level of oversight.

However, under House Bill No. 1117, the GET exemption for housing projects developed on federal lands by the Hawaii Housing Finance and Development Corporation would be repealed. The resulting GET revenues gained by repealing this exemption would be directly deposited to the credit of the Rental Housing Trust Fund without going through the appropriation process.

For this reason, B&F strongly opposes this bill.