



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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

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

Testimony by
Hawaii Government Employees Association
March 20, 2014

H.B. 2135, H.D. 1 – RELATING TO TAXATION

The Hawaii Government Employees Association supports the purpose and intent of H.B. 2135, H.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.

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 online 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. This measure will allow the State to begin collecting use taxes that current exist under Chapter 238, HRS. Therefore, we support H.B. 2135, H.D. 1 that makes the necessary 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 important state priorities.

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

Respectfully submitted,

Randy Perreira
Executive Director



Board of Directors

Richard Rowland
Chairman and Founder

Keli'i Akina, Ph.D.
President/CEO

Eddie Kemp
Treasurer

Gilbert Collins

Robin Tijoe

March 20, 2014
9:00 AM
Conference Room 211

To: Senate Committee on Ways & Means
Sen. David Y. Ige, Chair
Sen. Michelle N. Kidani, Vice Chair

From: Grassroot Institute of Hawaii
President Keli'i Akina, Ph.D.

RE: HB 2135 -- RELATING TO TAXATION
Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB 2135 , which sets forth procedures and provisions under Hawaii tax laws to implement the Streamlined Sales and Use Tax Agreement.

Though the mechanism involved is complex, in simple terms, this bill is really about Internet taxation. As such, our interest in a competitive market that benefits the consumer (and taxpayer) leaves us extremely concerned about the intent and effect of this bill.

Internet sales taxes are extremely unpopular, and for good reason. The notion that they are necessary in order to "level the playing field" between local brick and mortar businesses and online companies fundamentally misreads the free market in general and the needs of Hawaii's consumers in particular. Under the rubric of "simplifying" sales tax on the Internet, this scheme creates a multi-state tax cartel that will only end in empowering those politicians at the expense of the taxpayers. In the end, an Internet tax will result in higher taxes, hurting consumers and business owners while only the State profits.

Thank you for the opportunity to submit our testimony.

Sincerely,
Keli'i Akina, Ph.D.
President, Grassroot Institute of Hawaii