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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 2507 -- RELATING TO MARKETPLACE FAIRNESS
Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB 2507, which Directs DOTAX to establish rules to meet minimum simplification requirements in the effort to carve out an alternate option to Hawaii becoming a member of the Streamlined Use and Sales Tax Agreement.

Though it couches its reasoning in a supposed inequality between e-commerce and other businesses, 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



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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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. 2507, H.D. 1 – RELATING MARKETPLACE FAIRNESS

The Hawaii Government Employees Association supports the purpose and intent of H.B. 2507, H.D. 1, which authorizes the Department of Taxation to establish rules, as an alternative to the Streamlined Sales and Use Tax Agreement, for the development and simplification of procedures necessary to collect and remit sales and use taxes derived from remote Internet sales with outside businesses having no nexus with the State of Hawaii.

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.

Currently, many Internet-based sellers unfairly benefit from the State’s inability to enforce the Use Tax against individual purchasers. The result is often lost revenue by the State, and lost sales by conventional and “brick and mortar” retailers, many of which provide employment opportunities for our residents. The bill would help eliminate this tax gap. We believe that measures such as H.B. 2507, H.D. 1 provide fairness and equity for all businesses.

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. 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