

STAND. COM. REP. NO.

2313

Honolulu, Hawaii

FEB 18 2016

RE: S.B. No. 2599  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Education, to which was referred S.B. No. 2599 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to raise the general excise tax rate by one percent and deposit all additional revenue collected from the increase into a special account for Department of Education operations, including salaries and maintenance costs.

Your Committee received testimony in support of this measure from the Hawaii State Teachers Association, IMUAlliance, and one individual. Your Committee received testimony in opposition to this measure from the Chamber of Commerce Hawaii, Meadow Gold Dairies, Times Supermarkets, Hawaii Food Industry Association, Hawai'i Association of REALTORS, Hawaii Crop Improvement Association, National Federation of Independent Business, and Hawaii Restaurant Association. Your Committee received comments on this measure from the Department of Taxation, Grassroot Institute of Hawaii, Tax Foundation of Hawaii, and Hawaii Appleseed Center for Law and Economic Justice.

Your Committee finds that Hawaii's public schools are critically underfunded. Many schools in the State require extensive upgrades or renovations, including the installation of air conditioning and other heat abatement measures. Teacher compensation and per-pupil spending are far below the national



average. Expansions of prekindergarten, fine arts and humanities, and vocational education programs are required to better serve public school students. An increase in the general excise tax will provide the additional revenues necessary to meet these goals. Your Committee also notes that the general excise tax is inextricably linked to the use tax, and that it is necessary to increase them together.

Your Committee has amended this measure by:

- (1) Including the following amendments suggested by the Department of Taxation:
  - (A) Amending section 237-16.5(f), Hawaii Revised Statutes, to correct an omitted increase;
  - (B) Increasing the use tax to correspond with the increase in the general excise tax; and
  - (C) Adding language to clarify the distribution of increased tax revenue; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Education that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2599, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2599, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Education,



MICHELLE N. KIDANI, Chair



