

GRASSROOT

Institute of Hawaii

February 4, 2015
2:45 PM
Conference Room 016

LATE

To: Senate Committee on Economic Development & Technology
Sen. Glenn Wakai, Chair
Sen. Sam Slom, Vice Chair

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

RE: SB 946 -- RELATING TO GENERAL EXCISE TAX
Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on SB 946, which would repeal the General Excise Tax (GET) on all intermediary business transactions.

Hawaii's unique general excise tax is often the source of confusion—especially for those who falsely compare it to a sales tax, not realizing that it is a regressive tax that is applied not once, but at every transaction in the economic chain. As a result, the state is frequently singled out as having one of the most burdensome tax systems in the nation.

This has had a corresponding negative effect on the state's economy and business climate. The ALEC-Laffer State Economic Competitive Index¹ ranks Hawaii last among all states for its sales tax burden, a rating that significantly contributes to a mediocre economic outlook ranking. In a similar way, the Small Business Policy Index², which compares state policies and costs related to small business and entrepreneurship puts Hawaii at a dismal 47th, thanks largely to our high consumption taxes.

The broad reach of the GET has had a negative effect on our local businesses, saddling them with a burden that they would not face in other states. Some estimates place the cost of the GET on Hawaii business as high as \$1 billion.

¹ Available at <http://www.alec.org/wp-content/uploads/RSPS-HI-14.pdf>.

² Available at <http://www.sbecouncil.org/wp-content/uploads/2014/12/SBPI2014Final.pdf>.

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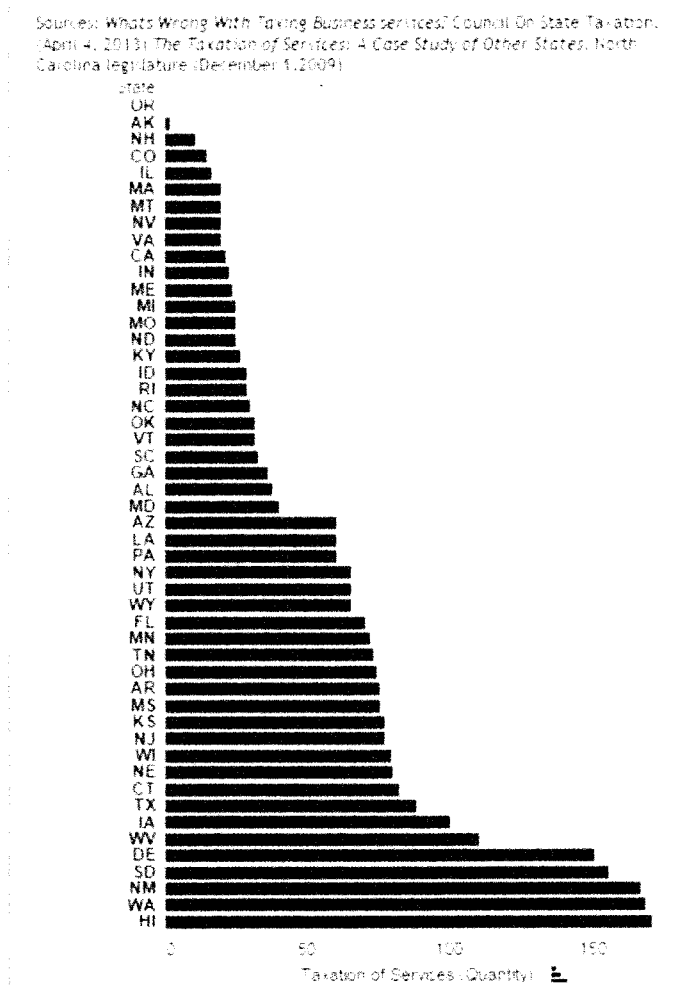
Richard Rowland
Chairman and Founder

Keli'i Akina, Ph.D.
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It is clear that any serious attempt to improve our state’s economy and encourage investment must begin by adopting policies that would foster a more favorable climate for business and entrepreneurship. Admittedly, a repeal of the GET on intermediary business transactions would initially have a negative effect on state revenues. However, in the long term, it would bring about a healthier economy, greater investment, a drop in unemployment, and a better future for our citizens and our state’s financial future.

Thank you for the opportunity to submit our comments.

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

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 03, 2015 7:58 PM
To: EDT Testimony
Cc: moke84404@yahoo.com
Subject: Submitted testimony for SB946 on Feb 4, 2015 14:45PM

LATE

SB946

Submitted on: 2/3/2015

Testimony for EDT on Feb 4, 2015 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Moke Stephens	Individual	Support	No

Comments: I support the repeal of the General Excise Tax on intermediary business transactions because it adds cost to products, burdens consumers, and slows the economy. I also support the complete repeal of the GET because an excise tax is designed to reduce vice in society, such as using tobacco and alcohol. There should be no excise on legitimate business and products.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Economic Development and
Technology
Wednesday, February 4, 2015 at 2:45 P.M.
Conference Room 016, State Capitol**

RE: SENATE BILL 946 RELATING TO GENERAL EXCISE TAX

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

The Chamber of Commerce of Hawaii ("The Chamber") **supports the intent** of SB 946, which repeals the GET on all intermediary business transactions.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber appreciates and supports the intent of this bill. The repeal of the GET on this level would reduce taxation on businesses and remove the pyramiding effect of the GET. This would help the business community and Hawaii's economy.

While we support the intent to lower taxes for businesses, we hope that this will not affect taxes in other sectors in order to accommodate for the repeal proposed in this bill.

Thank you for the opportunity to testify.