

# SB 958

Measure Title: REPEAL OF CORPORATE INCOME TAX.

Report Title: Corporate income tax

Description: A bill to encourage economic growth by repealing the corporate income tax.

DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

To: The Honorable Glenn Wakai, Chair  
and Members of the Senate Committee on Economic Development and  
Technology

Date: Wednesday, February 04, 2015  
Time: 2:45 P.M.  
Place: Conference Room 016, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 0958, Relating to Repeal of Corporate Income Tax

The Department of Taxation (Department) appreciates the intent of this measure and provides the following comments regarding S.B. 958 for your consideration.

S.B. 958 repeals the corporation income tax in an effort to encourage economic growth. The measure would be effective on July 1, 2015.

To avoid confusion and to prevent the argument that the corporate income tax has been repealed retroactively, the Department believes that part IV and part VII of chapter 235, Hawaii Revised Statutes should not be repealed but should rather provide that these parts shall be ineffective after July 1, 2015.

It is also important for the Legislature to clarify whether the intent of this measure is to eliminate the corporate income tax on any earnings on and after July 1, 2015 or whether it applies to taxable years beginning on or after July 1, 2015.

Thank you for the opportunity to provide comments.



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

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

The Twenty-Eighth Legislature, State of Hawaii  
The Senate  
Committee on Economic Development and Technology

Testimony by  
Hawaii Government Employees Association  
February 4, 2015

**S.B. 958 – REPEAL OF CORPORATE INCOME TAX**

The Hawaii Government Employees Association, AFSCME, Local 152, AFL-CIO opposes S.B. 958 that would repeal the state corporate tax. As Hawaii struggles with difficult budget decisions about funding essential public services, this bill would allow profitable companies to pay no state corporate income taxes, resulting in an estimated loss of \$80 million in tax revenues, according to the State Council on Revenues.

A disturbing tax trend is the rapid decline of corporate income taxes nationally. As corporate profits have grown over the last 25 years, state corporate taxes have not kept pace. Corporate taxes as a share of nationwide corporate profits remain near the lowest point. This long term decline in state corporate income taxes has three main causes: 1) the trickle-down impact of federal corporate income tax cuts, 2) tax "incentives" intentionally created by state lawmakers and 3) tax shelters created by companies.

Corporations lobby states for tax breaks like this one under the questionable premise that they need tax breaks to create jobs or remain economically competitive. Many corporations across the country already pay little in corporate income taxes, and there is no conclusive evidence that tax breaks and incentives create sufficient economic growth to offset the loss of tax revenues. The relatively small economic impact of state corporate income tax cuts and the larger loss of tax revenue mean that such cuts do not stimulate enough new taxable economic activity and revenue to fully offset the loss of revenue from the tax cut.

Vital public services, including education, health care, infrastructure and public safety that people rely on already face inadequate funding. Therefore, we should not be considering lowering taxes for profitable corporations, which will inevitably shift the tax responsibility on to the middle class and in-state smaller businesses. Instead, we need to make sure that corporations are paying their fair share so that the State of Hawaii receives much-needed revenue to fund critical budget priorities.

We appreciate the opportunity to testify in opposition to S.B. 958.

Respectfully submitted,

Randy Perreira  
Executive Director



# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** INCOME, Repeal corporate income tax

**BILL NUMBER:** SB 958

**INTRODUCED BY:** Slom and 1 Democrat

**BRIEF SUMMARY:** Repeals HRS chapter 235, part IV (corporation income tax) and part VII (Hawaii S corporation income tax act).

**EFFECTIVE DATE:** July 1, 2015

**STAFF COMMENTS:** This measure proposes to repeal Hawaii's corporate income tax on July 1, 2015. While this is a recommendation by the 2005-2007 Tax Review Commission, it should be remembered that corporations in Hawaii would still need the services provided by state government so those services must be paid for by someone else. Thus, the enactment of this measure may result in an increase in individual income tax rates or other taxes to make up the loss of revenues to pay for basic services provided by government unless a commensurate reduction in spending is also undertaken.

More importantly, it should be recognized that the corporate income tax is paid only when businesses realize profits. If a business makes no taxable profits, no tax is due. While it might sound attractive that Hawaii does not have a corporate income tax law, Hawaii taxes the gross proceeds of a business which is imposed regardless of whether or not those sales of goods or services generate a profit. Thus, while this part of the proposal may be well intended, it reflects a lack of understanding of the difference between the gross income tax and the net income tax on businesses.

If the intent of this measure is to improve the perception of Hawaii as a place to do business, then repealing the corporate net income tax would certainly make Hawaii stand out among all the other states which impose a net income tax on corporate profits. However, it should be remembered that not all businesses pay the net income tax under HRS 235, but some pay an in-lieu tax such as the banks which pay the financial institutions tax under HRS 241 and insurance companies which pay the insurance premiums tax under HRS 431 in-lieu of the net income and general excise tax. Thus, changes in the tax rates imposed under these chapters may be warranted if this bill were to pass.

Digested 2/3/15

Statement of  
Eric Ching  
CC Repair & Maintenance Service Inc.  
before the  
**COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY**

Wednesday, February 4, 2015  
2:45 p.m.  
State Capitol, Conference Room 016

in consideration of  
**SB 958**  
**RELATING TO REPEAL OF CORPORATE INCOME TAX**

Good morning Chair Wakai, Vice Chair Slom, and Members of the Committee. My name is Eric Ching and I am a concerned resident and business owner who does business in Hawaii.

I support this bill because it is consistent with other states that are trying to attract investments to expand economically and thereby create needed jobs and tax revenue; by-products of a healthy middle class. New York advertises no state taxes for 10 years if certain investments are made. Texas intentionally reduced the corporate income tax rate and now benefits from a manufacturing sector second to none. Their example provides evidence of how policy can impact a stagnant economy and unleash the economic engine that awaits Hawaii if such bold policies are embraced.

Thank you for this opportunity to submit my testimony.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 03, 2015 8:05 AM  
**To:** EDT Testimony  
**Cc:** jnscott62@gmail.com  
**Subject:** Submitted testimony for SB958 on Feb 4, 2015 14:45PM

**SB958**

Submitted on: 2/3/2015

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jackie Scott	Scott Hawaii	Support	No

Comments: We have been in business since 1932. It is very difficult to run a small business in Hawaii. Repealing the Corporate Income Tax would be a huge relief for owners who are constantly challenged by other day to day problems.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 02, 2015 6:00 PM  
**To:** EDT Testimony  
**Cc:** auntyhonu@aol.com  
**Subject:** Submitted testimony for SB958 on Feb 4, 2015 14:45PM

**SB958**

Submitted on: 2/2/2015

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

Submitted By	Organization	Testifier Position	Present at Hearing
JoDee Hunt	Individual	Comments Only	No

Comments: Committee Members: Testimony on 958- repeal of corporate excise tax Please consider voting for the repeal of this tax which puts a large burden on small business and makes it difficult to be competitive with other businesses. It is imperative to pass this tax onto the consumer which only serves to drive prices up and does not make it affordable for consumer. This state is not particularly friendly to small business and there are already so many obstacles, it seems this would be one way to stimulate the economy. Thank you for your consideration.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 02, 2015 7:28 PM  
**To:** EDT Testimony  
**Cc:** sgeilfuss@hawaii.rr.com  
**Subject:** Submitted testimony for SB958 on Feb 4, 2015 14:45PM

**SB958**

Submitted on: 2/2/2015

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Steven Geilfuss	Individual	Support	No

Comments: This is a good start to improving the business climate, growing the economy, and taking some of the tax burden off our overtaxed citizens.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 02, 2015 7:37 PM  
**To:** EDT Testimony  
**Cc:** sthazam@yahoo.com  
**Subject:** Submitted testimony for SB958 on Feb 4, 2015 14:45PM

**SB958**

Submitted on: 2/2/2015

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Stephen T Hazam	Individual	Support	No

Comments: This reduction will help grow the economy and support the middle class. Thank you for the opportunity to submit testimony.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 02, 2015 11:10 PM  
**To:** EDT Testimony  
**Cc:** loisjyoung@gmail.com  
**Subject:** Submitted testimony for SB958 on Feb 4, 2015 14:45PM

**SB958**

Submitted on: 2/2/2015

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lois J Young	Individual	Support	No

Comments: Dear Senator Slom and EDT Committee, As small business person in Hawaii, who hopes to grow in this state, I believe all businesses will benefit from the passing of SB958. It will allow the freed up funds to invest in employees or other businesses and thus bring in more revenue for our islands. Thank You, Lois Young/Wahiawa

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 03, 2015 6:23 AM  
**To:** EDT Testimony  
**Cc:** lila.m@hawaiiantel.net  
**Subject:** \*Submitted testimony for SB958 on Feb 4, 2015 14:45PM\*

**SB958**

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
Lila Mower	Individual	Support	No

**Comments:**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 03, 2015 11:32 AM  
**To:** EDT Testimony  
**Cc:** victoriaroth3@aol.com  
**Subject:** Submitted testimony for SB958 on Feb 4, 2015 14:45PM

**SB958**

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
victoria roth	Individual	Support	No

Comments: It is Economically advantageous to lower Corporate Tax. Look at the success of Governor's in States that have done this already. This is Economics 101, just a simple fact that it will help small businesses bottom lines and possibly allow them to hire more employees. Let's learn from History and look at the facts.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 03, 2015 11:59 AM  
**To:** EDT Testimony  
**Cc:** kjcole52@yahoo.com  
**Subject:** Submitted testimony for SB958 on Feb 4, 2015 14:45PM  
**Attachments:** SB 958.docx

**SB958**

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
Kevin J. Cole	Individual	Support	No

Comments: This would help a great many people.

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*★ - See attached.*

## **SB 958 - REPEAL OF CORPORATE INCOME TAX**

I support this measure as we all know the catalyst for economic growth is the small business community. Hawaii has a reputation as a state that is not entrepreneur friendly. Many folks I know who could start their own firms/companies are hesitant to do so because of the hurdles placed before them. This includes the corporate tax system. Anything to simplify business practices and encourage more young people to go into business for themselves would only improve the socio-economic status of Hawaii.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 03, 2015 12:52 PM  
**To:** EDT Testimony  
**Cc:** paola.saibene@gmail.com  
**Subject:** Submitted testimony for SB958 on Feb 4, 2015 14:45PM

**SB958**

Submitted on: 2/3/2015

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Paola Saibene	Individual	Support	No

Comments: As a citizen and member of a small, local company, I support this bill. Mahalo for all your efforts and dedication at the capitol.

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