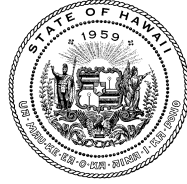


DAVID Y. IGE
GOVERNOR

SHANTSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

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 Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: Wednesday, March 23, 2016
Time: 9:15 A.M.
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.C.R. No. 138/S.R. No. 102, Requesting the Tax Review Commission to Evaluate the Impacts of General Excise and Use Tax Increases Proposed During the Regular Session of 2016.

The Department of Taxation (Department) appreciates the intent of S.C.R. No. 138/S.R. No. 102, and offers the following comments for your consideration.

S.C.R. No. 138/S.R. No. 102 requests the Tax Review Commission (TRC) to conduct or commission a study evaluating the impacts of a general excise and use tax increase, as proposed under Senate Bill No. 2599 for public education and Senate Bill No. 2478 for long-term care financing.

The resolution requests the TRC to include the following information in its study of the impacts of a general excise and use tax increase: (1) the persons or businesses that will actually bear the costs of the tax increases; (2) the extend of any regressively that is likely to be caused by the tax increases; (3) the compatibility of the tax increases with the public's general preference for a progressive tax structure; (4) the necessity for income tax credits to relieve the burden on low-income residents; (5) the proportion of the tax increases that will be exported; (6) the assurance that revenues from the tax increases would be dedicated to and expended exclusively for their intended purposes; (7) the fairness of imposing such a broad and substantial tax increase on all taxpayers, including many who would not benefit from the programs that the tax increases are intended to fund; and (8) the capability of the Department to implement the tax increases.

The TRC is a commission which is administratively attached to the Department. As such the Department will provide support to the TRC to the extent that resources permit.

Thank you for the opportunity to provide comments.