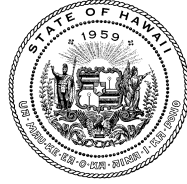


DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
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 Mark M. Nakashima, Chair  
and Members of the House Committee on Economic Development and Business

Date: Wednesday, March 22, 2017

Time: 11:00 A.M.

Place: Conference Room 309, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: H.C.R. 169, Requesting the Department of Business, Economic Development, and Tourism to convene an economic development and tax reform working group to study, among other things, the economic outcome of transferring the authority to tax real property back to the State and allocating a portion of general excise tax revenues to the counties.

The Department of Taxation (Department) appreciates the intent of H.C.R 169 and provides the following comments for your consideration.

This resolution requests the Department of Business, Economic Development, and Tourism to convene an Economic Development and Tax Reform Working Group (working group). The working group is requested to study the effects of transferring real property taxation back to the State, allocating a portion of general excise tax revenues to the counties, and adjusting the State personal income tax structure. The working group is requested to submit a report to the legislature no later than 20 days before the 2018 regular session. The measure requests that the Director of Taxation, or the Director's designee, participate in the working group.

The Department is willing and able to participate in the working group.

Thank you for the opportunity to provide comments.



# DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE  
GOVERNOR

LUIS P. SALAVERIA  
DIRECTOR

MARY ALICE EVANS  
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
Web site: [dbedt.hawaii.gov](http://dbedt.hawaii.gov)

Telephone: (808) 586-2355  
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Statement of  
**LUIS P. SALAVERIA**  
**Director**

Department of Business, Economic Development, and Tourism

before the  
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS**

Wednesday, March 22, 2017  
11:00 A.M.  
State Capitol, Room 309

in consideration of  
**HCR169**

**REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,  
AND TOURISM TO CONVENE AN ECONOMIC DEVELOPMENT AND TAX  
REFORM WORKING GROUP TO STUDY, AMONG OTHER THINGS, THE  
ECONOMIC OUTCOME OF TRANSFERRING THE AUTHORITY TO TAX REAL  
PROPERTY BACK TO THE STATE AND ALLOCATING A PORTION OF GENERAL  
EXCISE TAX REVENUES TO THE COUNTIES.**

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) appreciates the intent of this resolution, which requests DBEDT to convene an economic development and tax reform working group to study, among other things, the economic outcome of transferring the authority to tax real property back to the state and allocating a portion of General Excise Tax revenues to the counties. However, in addition to our regular studies, we have several on-going and current in-session mandated studies including:

- Assessing the emerging industry;
- Self-sufficient income standards;
- Research activity tax credit study;
- Film tax credit study;
- Real property tax study; and
- If SB704 passes this session, establishing a working group to study the online vacation rentals.
- If HCR89 passes this session, establishing a working group relating to economic security.

- If HB735 passes this session, conducting a study relating to the motor vehicle rental industry.
- If HCR87 passes this session, conducting a study relating to ocean recreation and tourism.

We currently do not have sufficient resources to convene a working group at this time. Thank you for the opportunity to provide the above comments.



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Economic Development & Business  
Wednesday, March 22, 2017 at 11:00 a.m.

By  
Denise Eby Konan, Dean  
College of Social Sciences  
University of Hawai'i at Mānoa

HCR 169 – REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO CONVENE AN ECONOMIC DEVELOPMENT AND TAX REFORM WORKING GROUP TO STUDY, AMONG OTHER THINGS, THE ECONOMIC OUTCOME OF TRANSFERRING THE AUTHORITY TO TAX REAL PROPERTY BACK TO THE STATE AND ALLOCATING A PORTION OF GENERAL EXCISE TAX REVENUES TO THE COUNTIES.

Chair Nakashima, Vice Chair Keohokalole and members of the committee:

Thank you for the opportunity to provide testimony on House Concurrent Resolution 169. This measure includes the executive director of the University of Hawai'i Economic Research Organization (UHERO) as a member of an Economic Development and Tax Reform Working Group within the Department of Business, Economic Development to study: authority to tax real property, allocation of the general excise tax, adjusting the personal income tax; and further feasibility and economic impact determinations with regard to homeownership in Hawai'i.

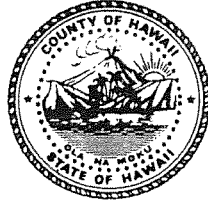
UHERO is housed within the Social Science Research Institute of the College of Social Sciences. The mission of UHERO is to inform public and private sector decision-making through rigorous, independent economic research on the people, environment, and economies of Hawai'i and the Asia-Pacific region. This mission aligns with the working group's charge to study the economic outcome of:

- (1) Transferring the authority to tax real property back to the State;
- (2) Allocating a portion of general excise tax revenues to the counties; and
- (3) Adjusting the State's personal income tax structure to ease the economic burden on resident taxpayers.

The College and UHERO support study and research on the economic effects of reforming Hawaii's tax system, and are willing to participate in the working group, but not without faculty resources to do so. Current faculty have full research agendas, and undertaking this project would require that other, ongoing research of significance to the state be dropped. Further, the most appropriate contribution would be from a faculty position with a focus on state and local public finance, which does not currently exist in the state. If such a position were to be funded by the legislature, UHERO could not only provide meaningful participation in the proposed working group, but also contribute to policy more broadly.

Harry Kim  
Mayor

**LATE**



Collins Tomei  
Finance Director

Deanna S. Sako  
Deputy Director

## County of Hawai'i

### DEPARTMENT OF FINANCE - REAL PROPERTY TAX

Aupuni Center • 101 Pauahi Street • Suite No. 4 • Hilo, Hawai'i 96720-4224 • Fax (808) 961-8415  
Appraisers (808) 961-8354 • Clerical (808) 961-8201 • Collections (808) 961-8282  
West Hawai'i Civic Center • 74-5044 Ane Keohokalole Hwy. • Bldg. D, 2nd Flr. • Kailua Kona, Hawai'i 96740  
Fax (808) 327-3538 • Appraisers (808) 323-4881 • Clerical (808) 323-4880

March 21, 2017

To: Honorable Chair, Mark M Nakashima  
Committee on Economic Development & Business

From: Lisa Miura, Assistant Real Property Tax Administrator  
County of Hawai'i

Subject: Testimony in opposition to HCR169, Relating to study on transferring authority  
back to the state to tax real property

HCR169 requests an economic outcome study to transfer the authority to tax real property back to the state and allocating a portion of GE Tax revenue to the counties. We would like to request that the Economic Development and Business Committee not pass this measure.

There were good reasons many years ago when the state turned over jurisdiction for real property taxes to the counties. Due to circumstances unbeknownst to us that decision now, apparently, is being questioned.

We believe the counties are dealing responsibly with the real property tax, and do not believe a change is warranted. We strongly oppose the intent of this working group including any possible amendments to this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa Miura".

Lisa Miura

cc: Mayor Harry Kim  
Finance Director