



## HOUSE OF REPRESENTATIVES

STATE OF HAWAII  
STATE CAPITOL  
HONOLULU, HAWAII 96813

September 11, 2012

Mr. Randall Y. Iwase, Chair  
and Members  
2010-2012 Tax Review Commission  
c/o Department of Taxation  
P.O. Box 259  
Honolulu, Hawai'i 96809

Dear Chair Iwase and Members:

The House Minority Caucus would like to express its appreciation to The PFM Group for their work in developing their report titled Study of the Hawai'i Tax System: Final Report, dated August 28, 2012. We would like to note that the report contains a number of recommendations we agree with and support including the elimination of the .5 percent GET and Use Tax rate on business-to-business transactions, the elimination of the individual income tax on the first \$20,000 of adjusted gross income, the increase of refundable food/excise tax income tax credits, and improvements in tax administration. These recommendations would improve system efficiency and reduce taxes on low-income individuals.

Unfortunately, the report also contains a number of recommendations that we vehemently oppose. The most egregious of these recommendations are the increase of the GET rate from 4.0 percent to 4.5 percent (which is actually an increase to 5 percent for the majority of people of Hawai'i), the implementation of income tax on pension income, the elimination of the income tax deduction for property taxes paid, and the increase of the corporate income tax rate. We find these recommendations, as well as others in the report, disappointing and disagreeable as they increase taxes on individuals and businesses placing a greater burden upon them.

This is especially problematic given the state of Hawai'i's economy and the significant cost of living faced by residents of the state. An increase in taxes would be a detriment to individuals and businesses at this most inopportune of times. Rather than exploring ways to increase revenue, we believe government spending should be curtailed and be done in a smarter and more efficient manner.

Furthermore, we feel the business climate should be improved in the state through improved regulatory procedures and greater government efficiency. A more business-friendly environment would help companies conduct business thereby growing the economy and helping the people of Hawai'i.

Sincerely,

Representative Gene Ward  
Minority Leader  
District 17: Hawai'i Kai – Kalama Valley

Representative Cynthia Thielen  
Assistant Minority Leader  
District 50: Kailua – Kāne'ōhe Bay

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Representative Corinne W.L. Ching  
Assistant Minority Floor Leader  
District 27: Nuʻuanu, Puʻunui, Liliha,  
ʻĀlewa Heights



Representative Barbara Marumoto  
Minority Policy Leader  
District 19: Waialae Iki, Kalani Valley,  
Waialae Nui, Diamond Head, Kāhala



Representative George Fontaine  
Minority Whip  
District 11: Makena, Wailea, Kihei



Representative Aaron Ling Johanson  
Minority Whip  
District 32: Lower Pearlridge, ʻAiea, Halawa,  
Hickam, Pearl Harbor, Moanalua Gardens



Representative Gil Riviere  
Minority Whip  
District 46: Kaʻena Point, Schofield, Mokulēʻia,  
Waiālua, Haleʻiwa, Waimea, Pūpūkea, Sunset,  
Kahuku, Kunia Camp, Poamoho, Wheeler, Lāʻie