



May 7, 2009

Hawaii House of Representatives
Hawaii State Senate

RE: Oppose Overriding Tax Hike Vetoes

Dear Members of the Hawaii Legislature,

I write strongly urging you to oppose overriding the Governor's vetoes of any tax increases.

House Bill 1747: Raising the income tax to the highest level in the United States will directly hurt small business and Hawaii residents. Over two-thirds of small businesses file personal income tax returns. These businesses are the lifeblood of Hawaii's economy and the state's primary job creator. At a time when Hawaii's unemployment rate is the highest it has been in over 30 years, implementing a top tax rate of 11% will destroy future job creation and push unemployment even higher.

Senate Bill 1111: Increasing the hotel tax by 28% will severely discourage tourism at a time when Hawaii's largest industry is struggling. This tax increase will come as Hawaii's tourism sector has declined substantially due to the current recession. Hotel occupancy rates, for example, are already at a 22 year low. Raising this tax will further depress tourism or result in visitors spending less money while in Hawaii.

House Bill 1741: A 257% tax increase on property sales for residents and businesses will discourage investment and expansion of businesses.

While the Governor has not stated her intent regarding House Bill 1175 and House Bill 895 to raise cigarette and tobacco taxes, a veto of these bills should be sustained just the same as those above. The burden from cigarette taxes falls disproportionately on low-income individuals and small businesses. On average, smokers have a median income of a little more than \$36,000 about 30 percent less than non-smokers. Additionally, these taxes are a volatile and declining source of revenue for the state. New Jersey raised the cigarette tax just 17.5 cents and collected \$22 million below what they brought in before the tax hike. Arkansas recently passed a tax hike on cigarettes estimated to bring in \$86 million. Yet, just one month after passage the state projected it would bring \$14 million less than expected.

Today, Hawaii residents will turn up at the State Capitol to show their opposition to increased taxes. **They will come to support the Governor's vetoes of these tax hikes, but moreover to show you as lawmakers that taxes are high enough; that raising taxes during a recession is bad public policy.** For every person at the veto ceremony, know that there are hundreds more who share their sentiments, but could not make it to Oahu from other islands.

I urge you to stand up for taxpayers, small businesses, and consumers to oppose overriding the Governor's vetoes of these tax increases. If you have any questions, please contact Kelly Cobb, state affairs manager, at (202) 785-0266.

Onward,

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