

TAX FOUNDATION OF HAWAII

2013 ACTIVITY REPORT

MISSION STATEMENT

The Tax Foundation of Hawaii is a nonprofit, educational organization recognized under Section 501(c)(3) of the Internal Revenue Code. Its purpose is to research and investigate tax and spending policies at the state and local government levels in Hawaii. Its staff of three keeps track of how state and county governments collect their taxes and how they spend those monies. The Foundation also assesses the impact of these public finance policies as they affect the economic climate and the outlook for Hawaii's future. The Foundation is the only non-government organization which consistently blows the whistle on the numerous ways lawmakers and agencies have found to raise the overall burden of taxes and fees.

Known for the integrity and objectivity of its research, the Foundation has earned the respect of the community, the media, and elected officials. Together with the fact that it does not espouse special interest positions but bases its analysis on generally accepted tax policies, the Foundation is consulted on every major public finance issue pending before public policymakers. This is the dividend that the Foundation pays its members, for the principles guiding the Foundation's efforts are deeply rooted in tax fairness, equity, accountability, efficiency, simplicity, and competitiveness of the tax structure. It is the voice of reason that speaks out when higher taxes are proposed or when government wastes our hard earned tax dollars. It simplifies the complex world of government finance and explains why certain schemes are detrimental to taxpayers such as the use of special funds to hide the large surpluses of the late 1980's. If there was no Foundation to blow the whistle, government would go on its merry way without taxpayers knowing how they are being taken for every nickel and dime of profit they make. Perhaps that is the most important service that the Foundation provides to the community, keeping it informed about its government.

OVERVIEW

The primary focus of the Tax Foundation still remains Hawaii's tax and public finance issues and thus much of the staff's time is occupied in dealing with proposed legislation that will shape the financing infrastructure of the state.

LEGISLATIVE ARENA

It is here that the Foundation puts in much of its efforts to educate and inform. Since it is lawmakers who shape the policies of the state, informing these policymakers of the tenets of good tax policy is key to creating a fair and well-balanced system of taxes and other revenues. While it would seem that in recent years lawmakers have tended to ignore the lessons provided, many of the errors of their ways have come back to haunt them.

Indeed the Foundation has been the leading critic of targeted business tax credits, citing their discriminatory nature and the resulting shift in tax burden as key reasons why these mechanisms are inefficient tools to achieve social or economic goals.

Measures introduced would have replaced the ethanol facility tax credit with a biofuels production tax credit and extended an income tax credit to businesses that hire disabled individuals.

FOUNDATION ACTIVITIES 2013

The Foundation's mission to improve state and local tax systems and foster a positive Hawaii economic climate is accomplished through participation in the legislative process as a nonpartisan organization and through community groups and organizations. This participation allows the Foundation to disseminate its researched views and also allows the staff to monitor the economic and social pulse of key policymakers in the private sector and in government and the community at large.

Community Participation (448)

Committee Meetings (135)

Business Pathway (DOE) Advisory Board (6)
Child Welfare League of America (15)
Family Programs of Hawaii (10)
Friends of the Drug Court (2)
Hale Pauahi Non-Profit Housing Corporation (7)
Hawaii Lodging & Tourism Association Na Po'e Selection Committee (2)
Hawaii State Federal Credit Union (34)
Hui Hanai (14)
Investment Committee Kawaiaha'o Church (4)
Native Hawaiian Revolving Loan Fund (Malama Loan Fund) (5)
Parents and Children Together (30)
Pualani Manor Corporation (1)
Self-Help Housing Corporation of Hawaii (3)
Weed & Seed (2)

Public Hearings and Meetings

The Foundation is often called upon to participate in public forums as a means of sharing its research and analyses of current public finance issues as part of its mission to improve equity and efficiency in the tax system. Contrary to conventional wisdom, the Foundation is strictly prohibited by its charter from engaging in lobbying activities on behalf of specific interest groups. The Foundation takes extraordinary steps to convey the information it has amassed to the public so that decisions can be made.

State Government

Legislative Hearings (313)

The Foundation's role in the legislative hearing process is to provide an independent and unbiased viewpoint on tax and other public finance legislation. Given the breadth and reach of state government in Hawaii, much of the Foundation's activities is weighted toward monitoring the state legislature and executive branch. The Foundation is often the only private sector representative at legislative hearings dominated by representatives from government agencies and public employee unions. As a 501(c)(3) organization, the Foundation does not engage in lobbying activities.

County government legislative activities are also monitored by the Foundation. However, with most taxing authority concentrated at the state level and given that Hawaii is an island state, the Foundation has, for the most part, limited its monitoring activity of county governments to real property taxes. The Foundation responds to all requests by county policymakers for its research and viewpoints on local government issues.

Below is the number of tax measures in which the Foundation presented testimony, either in oral and/or written format:

State Senate (137)

- Agriculture (10)
- Commerce and Consumer Protection (8)
- Education (4)
- Energy and Environment (12)
- Health (5)
- Human Services (3)
- Judiciary (2)
- Labor (2)
- Public Safety, Intergovernmental and Military Affairs (2)
- Technology and the Arts (14)
- Tourism (6)
- Transportation and International Affairs (6)
- Water and Land (5)
- Ways and Means (58)

State House of Representatives (167)

- Agriculture (9)
- Consumer Protection and Commerce (10)
- Economic Development and Business (18)
- Education (8)
- Energy and Environmental Protection (12)
- Finance (64)
- Health (4)
- Higher Education (1)
- Housing (5)
- Human Services (3)
- Labor (4)
- Tourism (10)
- Transportation (6)
- Veterans, Military and International Affairs and Culture and the Arts (10)
- Water and Land (3)

County Government (9)

City Council - City & County of Honolulu (9)

Publications

Legislative Tax Bill Service

The TAX BILL SERVICE provides summaries of all tax legislation introduced during the legislative session. The Foundation also includes an executive summary and brief comments on the impact each measure may have on the tax system, with the primary focus being on fairness and administrative concerns. The publication is provided to supporting members, subscribers, lawmakers, administrators and the media.

Weekly Commentary

The Foundation president authors commentaries which highlight issues of current interest within the Hawaii community. Some of the topics covered during the past year were the use of targeted tax credits, income tax and general excise tax cuts and fees. The commentaries are published weekly by *Civil Beat*, *Hawaii Free Press*, *Maui News*, the *West Hawaii Today*, the *Hawaii Reporter*, and the *Garden Isle News*. They are also made available on the Foundation's web site.

Media

The Foundation president is an often quoted source in the media, highlighting the Foundation's analysis and knowledge base in tax and public finance issues. In addition to being quoted on a regular basis in Star Advertiser - the Foundation is often quoted by all the major network television stations. The staff also participated in the form of talk shows or news

interviews on the following radio and television program broadcasts: Trinity Broadcasting (2); Olelo Voter Viewpoint Panel Discussion.

Internet Site

The Foundation continues to enhance its web site - <http://www.tfhawaii.org> - with new information to help the public keep abreast of the Tax Foundation of Hawaii's activities and mission. The site provides a low-cost method to distribute the Foundation's findings and other information across the state and nation. The Foundation's weekly column, which is carried in a number of media outlets, is also posted on its web site.

Presentations (43)

Speeches and Talks (12)

Contractors Association of Kauai
Enrolled Agents
Hanapepe Hawaiian Congregational Church
Hawaii State Tax Department Presentation
HICOMP Legislative Update
Kauai League of Republican Women
Rotary Club of Waikiki
Oahu League of Republican Women
NAWS
Small Business Hawaii Breakfast
Sheet Metal Contractors Association
Tax Executives Institute

Organizational Meetings (33)

The Foundation maintains membership and plays a direct role in the activities of several community groups and organizations. In other cases, staff attends meetings to gather information and to monitor activities of decision makers in the community.

Hawaii Association of Trade Executives (8)
Oahu Metropolitan Planning Organization Citizens Advisory Committee (6)
State Council on Revenues (4)
Tax Foundation Luncheon (1)
Tax Foundation Board of Directors (10)
Tax Foundation Legislative Workshops (4)

Membership Luncheon

The membership luncheon provides members of the Foundation a chance to gather and hear a speaker of note in the community. During the past year, the Foundation held its annual membership luncheon on August 14. Mr. David Heenan was the guest speaker.

Legislative Workshops

Responding to requests for updates of tax and public finance legislation moving through the legislative maze, the Foundation has been providing educational workshops during the session to keep those who do not have the time to monitor the session up to date. Held at key times during the legislative process, these workshops inform interested individuals about which proposals are progressing through the process. In addition, the Foundation partners with the Hawaii Employers Council to also update participants about key labor related proposals wending their way through the legislature.

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2013

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