

Let's End the Vicious Cycle Support a Temporary Modest GET

On March 11, 2010, the state Council on Revenues maintained their prior projection of a 2.5% decline in state revenue for the current fiscal year. Low revenue projections have already led to deep state budget cuts.

At a recent economic forum held at the state capitol, economists agreed that spending cuts have only worsened the effects of the recession. **“Budget cuts affect tax revenues for the State, affect economic growth and result in more claims for unemployment and claims for assistance through welfare.”** - **Bill Boyd, Economics Professor, University of Hawaii.** We can't continue to cut spending because this furthers the negative impact on the economy, leading to lower tax revenues. It's a vicious cycle that we have to end.

\$1 Billion Drain on the Local Economy

The state has cut about \$644 million in spending this fiscal year. The ripple effect of these cuts affects the state's overall economy by a factor of two. This amounts to a total economic drain of \$1 billion.

Cuts to Services

In addition to the devastating effect to the economy, the cuts have directly affected education, health and social services. Levels of services have been affected to a point that the health and well-being of our community's most vulnerable population is at risk. Our children, elderly, disabled and disadvantaged are no longer assured the support of community services so desperately needed in a bad economy. **“When we cut social services, we will pay later in economic and human costs.”** -- **Paul Brewbaker, TZ Economics.**

A Multi-Pronged Solution

We cannot expect a different result if we do not do anything differently. **“The State can close its budget gap through a combination of temporary increases in taxes, including a modest GET increase and the use of special funds.”** -- **Byron Ganges, Economics Professor, University of Hawaii.**

We Support a Modest, Temporary GET Increase

A 1% increase to the general excise tax would be balanced with GET exemptions for food, certain medical expenses, physician and dental services, and a portion of rental expenses as well as increasing standard deductions for those in lower income tax brackets. It would be used to restore and maintain services which affect the health, education and human services for Hawaii residents.

Small Impact, Big Results

By requesting a moderate increase in the general excise tax, we can create positive change with the least amount of pain for Hawaii's people. A 1% increase in the GET with appropriate exemptions is estimated to result in \$500 million in revenue for the state. That would address nearly half of the state's \$1.2 billion projected budget shortfall through 2011. Economists agree that tax increases have a small impact on consumption. That's good for Hawaii's businesses, and ultimately, helps generate tax revenues for the state.

Broad Community Support

The following organizations support a modest temporary increase in the GET:

American Federation of State, County and Municipal Employees (AFSCME)

Hawaii Government Employees Association (HGEA)

Hawaii Alliance for Retired Americans (HARA)

International Longshore Workers Union (ILWU)

Interfaith Alliance

Ironworkers

Lanakila Meals on Wheels

Methodist Division of Church Society

Hawaii Chapter of the National Association of Social Workers

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University of Hawaii Professional Assembly (UHPA)

United Public Workers (UPW)