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DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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February 24, 2010

Honorable Senator  
Hawaii State Capitol

Dear Senator:

RE: H.B. 2169, H.D. 2

The Department of Labor and Industrial Relations (DLIR) respectfully urges you to pass an amended version of H.B. 2169, H.D. 2, (pending 3<sup>rd</sup> reading by House on Thursday, 2/18/10 and decking / crossover) which will afford greater tax relief to keep businesses afloat and workers fully employed during this recovery period. An amended version of H. B. 2169, H.D. 2 would follow the administration's proposal (S.B. 2732 / H.B 2579) which provides greater tax moderation at a time when Hawaii's economy needs it most. The DLIR projects the administration's proposal will provide tax savings of \$95 million in 2010, \$221 million in 2011, \$131 million in 2012, and \$50 million in 2013. The administration's proposal will provide a tax savings of \$497 over the next 4 years. The costs of this to the businesses, who pay for all the trust funds costs will be a special assessment of \$22 million dollars for a net tax savings of \$475 million. This tax savings will come at a time when Hawaii employers need it most. The administration believes this \$475 million is better left in the economy than in a fund in D.C. Under the administration's proposal employers will pay an average of \$600 per employee in annual UI taxes, \$690 in 2011, \$880 in 2012, and \$900 in 2013.

The Department also suggests the following edits (attached) to H.B. 2169 H.D.2. On page 1 line 9 the Department would like to delete "principal" as regular unemployment taxes will be used for the principal and the special assessment will cover interest costs. The Department also suggests that on page seven lines 2 through 4 the adequate reserve language be revised as indicated in the attachment, to more clearly describe the adequate reserve ratio. With regard to the special assessment the Department would like to add in Sections 6 and 7 language (see attached) enabling the Employment and Training Fund be the means of special assessment collection and payment of the interest on federal loans.

I have attached our PowerPoint presentation which provides the background on this important issue. The presentation may also be found on our website at [www.hawaii.gov/labor](http://www.hawaii.gov/labor). I am available to personally explain the issues at your earliest convenience, and may be reached at 586-8850.

Sincerely,

DARWIN L.D. CHING

c: Representative Calvin Say, Representative Marcus Oshiro, Representative Karl Rhoads,  
Representative Kyle Yamashita