



**Testimony to the House Committee on Labor & Public Employment
Friday, January 27, 2012
9:00 a.m.
State Capitol - Conference Room 309**

RE: HOUSE BILL NO. 2096 RELATING TO EMPLOYMENT SECURITY

Chair Rhoads, Vice Chair Yamashita, and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). I am here to state The Chamber's general support to House Bill No. 2096 relating to Employment Security. However, we respectfully ask that the committee extend Schedule F for two years (2012-2013).

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports legislation that will mitigate the tax increase of an additional average of \$550 per employee due to take place under the current law (Schedule H). However, the Chamber is urging the Legislature to keep the tax schedule at "F" for two years instead of one, which will help businesses recover during this slow growth period and provide stability and certainty during these uncertain times.

- **Under current law, the schedule jumps to H from F. Taxes will increase to an average of \$1,470 per employee, from \$920 (depends on your experience rating).**
- **Under HB 2096, the taxes would remain relatively the same for only 2012 at Schedule F. In 2013, it jumps to a higher tax bracket.**
- **Under the Chamber's proposal, taxes would remain at Schedule F for 2012 and 2013.**

State data supports keeping the unemployment tax rate schedule at the present "F" level for 2012-13. The Unemployment Fund has recovered far quicker than original projections. Risk of insolvency in the fund is limited unless a catastrophic or major event occurs, and the velocity of fund replenishment appears positive.

By slowing the fund replenishment, local businesses can use the funds to hire and grow their businesses. Mitigation of a tax increase will keep more money in the economy, which will then be spent and generate increased tax revenues for the State.

Many businesses are at the tipping point and any increases could lead to cut backs, job loss or even closure, which in turn, would affect the unemployment insurance fund.

Therefore, we urge the Committee to pass HB 2096 with amendments and for further discussion. Thank you very much for the opportunity to testify and for your hard work in coming up with legislation that is important to employers, employees, and the economy, as well as for your efforts in expediting a bill.