

Chronological: Hawaii Restaurant Association, Honolulu, 1983-12-08

Senator Daniel K. Inouye Papers
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Take to Hawaii

December 1, 1983
M E M O R A N D U M

TO: SENATOR
FROM: JOHN HARDY

1. Enclosed is a draft of your remarks before the Hawaii Restaurant Association. In addition to what you wanted regarding possible tax proposals, they touch briefly on funding for USTTA and the Tuttle nomination.

2. The origin of the specific tax proposals is deliberately vague. The 2/3 deduction limitation for business entertainment was a Democratic Study Group (DSG) proposal in the House which most likely will not 'see the light of day'. I am not certain of the origin of the liquor tax proposal, and it too probably will never 'see the light of day'. Yet, they have been discussed.

3. The one to watch out for is the repeal of the tip reporting law. The National Restaurant Association is for repeal. The industry coalition -- the Union, American Express, American Hotel and Motel Association, and others -- oppose repeal. They fear what the alternative might be.

4. You should also be aware of 'Tip Credit'. Current law allows an employer to count 40 percent against the minimum wage law requirement. Thus, though the minimum wage is \$3.35 an hour, restaurants need only pay \$2.01 an hour (tips make up the \$1.34 differential).

Historically, employers would like tips to count for more than 40 percent, i.e., 50 percent. The Unions, of course, want the lower

figure. You have been with the Unions on this.

If an effort is made to raise the minimum wage, they of course the issue of 'Tip Credit' will again be alive.

SPEECH DELIVERED BY SENATOR DANIEL K. INOUE
TO HAWAII RESTAURANT ASSOCIATION
at Ala Moana Center Banquet Hall
on Thursday - December 8, 1983

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MATTERS WHICH WILL BE UNDER CONSIDERATION BY THE CONGRESS
NEXT YEAR.

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MEMORANDUM
November 28, 1983

TO: SENATOR

FROM: John Hardy

SUBJECT: Remarks before the Hawaii Restaurant Association

1. (a) In the First Session, the Senate Finance Committee was able to agree on a tax package, i.e., deficit reduction proposals. The Committee therefore instructed its staff to report back by February 15, 1984, with a package of proposals which would be the vehicle for hearings. As I understand it, the dollar amount of the package would be about \$150 billion for FY84 through FY86 (\$75 billion in spending cuts and \$75 billion in revenue raising measures). The projected budget deficit is around \$200 billion annually.

(b) The House of course, refused to take up the Ways and Means proposal, when it voted down a Rule in the closing days.

2. Traditionally your position has been that in view of its economic importance and as a matter of equity, the tourism industry should not be singled out for "extra" tax treatment, fuel rationing, etc. Conversely, the industry should not be looking for an "extra" edge, vis-a-vis other industries.

3. You cannot be expected to predict what specific proposals the Senate Finance Committee staff will recommend, nor can you say what that Committee will ultimately recommend.

Based on the past, and on some of the proposals that were floating around the House or Senate during the first Session, I believe you can safely predict that considerable attention will focus on consumption taxes, and some form of value added tax (VAT). For example:

- o Business entertainment (not only 3-martini, but across-the-board airfares, hotels, etc.)
- o Excise tax on imported crude oil
- o Tax on petrol at the pump
- o VAT

4. Your remarks before the Bartenders Union last January addressed the question of tax equity; the budget deficit, and the Administration's proposals at the time to reduce that deficit; and the Democrat's counter proposals, plus one of your own. Attached is a copy of your remarks.

5. Finally, the Hawaii Restaurant Association may raise the question of repealing the "tip reporting" provision which the last Congress enacted. (You dealt with this at pp 7-8 of your remarks to the Bartenders). In its place, the Association might suggest the old 'charge tip' provision which Congress never enacted. The points to make are:

- This ^{present} provision is less onerous than others which could be adopted to gain added revenues for the Treasury.
- "Interested parties" are pretty much assured that next year the Finance Committee will adopt a number of technical amendments to that law which they have suggested. This should make the law less burdensome.
- A 'charge tip' provision would require more paperwork for employers than the present tip reporting law. You have always opposed a charge tip provision.