

STAND. COM. REP. NO.

367

Honolulu, Hawaii

FEB 15 2007

RE: S.B. No. 898
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 898 entitled:

"A BILL FOR AN ACT RELATING TO HIGH TECHNOLOGY TAX INCENTIVES,"

begs leave to report as follows:

The purpose of this measure is to require the Department of Taxation to report annually on qualified high technology businesses and related tax incentives to properly evaluate their effectiveness.

Testimony in support of this measure was received from the Department of Taxation, High Technology Development Corporation, Hawaii Science and Technology Council, Oceanit, and PacifiCap Group. The Tax Foundation of Hawaii submitted comments.

Your Committee finds that this measure would address an ongoing concern that the State is unable to properly account for the use and revenue impact of the various high technology related tax credits. For example, in its 2005-2007 report, the Tax Review Commission stated that due to a lack of current data, definitive results could not be calculated for the high technology business investment tax credit, one of the credits currently offered by the State.

Your Committee believes that the high technology tax credits provide incentives vital to the continued growth of Hawaii's

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technology and innovation industries. But they must be awarded, administered, and reported on in such a way as to establish a strong sense of trust that the public is getting "good value" for the loss of tax revenues.

Your Committee received information from the Department of Taxation (Department) that the measure would not directly affect tax revenues. The Department stated that the proposal would add to the Department's duties, but without additional resources. As such, your Committee notes that a similar Administration measure appropriated \$250,000 in each year of the biennium to conduct a comprehensive review of the effectiveness of the Hawaii credits and to report regularly on its findings

It is the intent of your Committee to provide for greater transparency and evaluation of high technology tax incentives as a means of ensuring that the credits meet their intended outcomes.

Your Committee has amended this measure accordingly, by:

- (1) Requiring the Department of Taxation to report on information collected as of July 1, 2004, and annually thereafter, and to delete redundant language; and
- (2) Appropriating unspecified amounts for the biennium, for additional resources as may be necessary to prepare reports on information collected as of July 1, 2004, and annually thereafter, pertaining to qualified high technology businesses and related tax incentives provided under sections 235-7.3, 235-9.5, 235-110.51, 235-110.9, and 235-110.91, Hawaii Revised Statutes.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 898, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 898, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,

Carol Fukunaga

CAROL FUKUNAGA, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:*	Committee Referral:	Date:		
<i>SB 898</i>	<i>EDT, WAM</i>	<i>2/13/07</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam	✓			
TOTAL	<i>4</i>			<i>1</i>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Will Espero</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency		

*Only one measure per Record of Votes