

SB

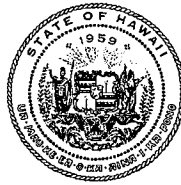
1248

EDT/WTL

LATE

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

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**SENATE COMMITTEES ON ECONOMIC DEVELOPMENT & TECHNOLOGY AND
WATER, LAND, AGRICULTURE & HAWAIIAN AFFAIRS**

**TESTIMONY REGARDING SB 1248
RELATING TO STATE ENTERPRISE ZONES**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: FEBRUARY 11, 2009

TIME: 1:15PM

ROOM: 016

In addition to making technical amendments, this legislation extends the income tax credit and general excise tax exemption for qualified businesses engaged in the manufacturing of tangible personal property or in the production or processing of agricultural products within an enterprise zone for an additional seven years.

Given the current economic situation, the Department opposes the tax provisions in this measure due to their budgetary impact. The Department also offers comments on this legislation.

FINANCIAL CONCERNS—Under the current law, qualified businesses operating within an enterprise zone are given income tax credits ranging from 80% of their income tax liabilities in the first year of becoming a qualified business, to 20% in the seventh year (the percentage tax credit incrementally decreases by 10% per year for the second through the sixth years). Qualified businesses receive an additional income tax credit equal to a percentage of unemployment taxes paid during the first seven years of operations (using the same percentage schedule noted above). Moreover, subject to limited exceptions, qualified businesses are fully exempt from general excise tax for the first seven years of operating as a qualified business within an enterprise zone. This measure would extend the income tax credits (applying a 20% rate) and general excise tax exemption for qualified businesses that are manufacturers of tangible personal property or producers or processors of agricultural products for an additional seven years. The Department cannot support this measure at this time as the extension of such credits and exemption would result in significant revenue losses, exacerbating the budget shortfall.

OTHER COMMENTS – If this measure proceeds forward, the Department suggests that the amendment to subparagraph 3(A) of subsection (b), §209E-9, HRS, which addresses the extension of the credits, be clarified so that the "higher level of employment" that must be satisfied specifically references the level of employment attained in the seventh year of operating as a

qualified business.

REVENUE IMPACT AND METHODOLOGY– This measure is projected to result in a revenue loss to the general fund of \$300,000.

Qualified companies in the State's enterprise zones received about \$1.5 million in tax credits in 2006 (preliminary DOTax data). It is assumed that the number of firms and business activities will remain the same, and this proposal would expand enterprise zone activities by 20%. (\$1.5 million * 20% = \$300,000).

Tradewinds Forest Products **LATE**

**TESTIMONY OF DON BRYAN
PRESIDENT & CEO, TRADEWINDS FOREST PRODUCTS**

**SENATE BILL NO. 1248
RELATING TO STATE ENTERPRISE ZONES**

Chairpersons Fukunaga and Hee and Members of the Committees:

Tradewinds Forest Products is in the process of constructing a veneer mill and biomass power plant on the Hamakua Coast of the Big Island. We will generate approximately 140 jobs when our project is in operation.

We are strong supporters of SB 1248. For a new business, we believe the EZ program is a terrific resource. It is no secret that Hawaii needs to improve its economy by encouraging new businesses to start up, and this program helps provide useful incentives.

The assistance provided during start-up to allow for training of new employees will be invaluable in launching our operations. There is a ready and willing workforce already here, but they do not currently have the skills necessary to efficiently operate our mill.

New income for the State will come from many sources as more people are employed and secondary businesses and jobs develop. We encourage your continued support of this program.

If you have any questions, I can be reached at 808 962-6803 or 808 854-4699. My email is donbryan@tfp-hi.com.

Thank you,

Donald P. Bryan
President & CEO

Subject: FW: Enterprise Zone HB1228 and SB1248

----- Forwarded Message

From: Jean Olvey <alohaoil@hawaii.rr.com>

Date: Wed, 11 Feb 2009 09:32:17 -1000

To: <Info@MichaelForNorthShore.com>, Robert Bunda <senbunda@capitol.hawaii.gov>, "Sen. Fred Hemmings" <senhemmings@capitol.hawaii.gov>, Sam Slom <senslom@capitol.hawaii.gov>

Cc: All Senators <sens@capitol.hawaii.gov>, All Reps <Reps@Capitol.hawaii.gov>

Subject: Enterprise Zone HB1228 and SB1248

My name is Jean Olvey from Oils of Aloha in Waialua. I strongly support **HB1228 and SB1248** that will allow ag producers and manufacturers to extend their participation in the EZ program . We have been in business on the North Shore for over 20 years and participated in EZ program for the past 6 years. We manufacture macadamia and kukui oil which is shipped to international and to Mainland cosmetic and pharmaceutical manufacturers. Our own line of consumer products has proven to be very popular with the visitor industry in Hawaii.

The EZ program helped us survive the recent economic downturn. It also assisted our capability to develop new products and expand our company and sales staff. I am fortunate to live and work on the north shore of Oahu. If this program is not continued it will force us to scale back our labor resources and growth plans on Oahu's north shore.

This is a worthwhile program that needs to be continued to support business and manufacturing development in Hawaii.

Thank you for the opportunity to present testimony

Jean

Oils of Aloha

www.OilsofAloha.com

Toll free (800) 367-6010

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----- End of Forwarded Message

FEB 11 2009

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LATE



**Hawaii
Aquaculture
Association**

THE SENATE
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Senator Carol Fukunaga, Chair
Senator Rosalyn H. Baker, Vice Chair
and

COMMITTEE ON WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS

Senator Clayton Hee, Chair
Senator Jill N. Tokuda, Vice Chair

DATE: Wednesday, February 11, 2009
TIME: 1:15 p.m.
PLACE: Conference Room 016
State Capitol
415 South Beretania Street

SB 1248 RELATING TO STATE ENTERPRISE ZONES.

Honorable Chair Fukunaga, Chair Hee, Vice Chair Baker, Vice Chair Tokuda, and
Committee Members,

The Hawaii Aquaculture Association (HAA) strongly supports SB1248 which authorizes agricultural producers and manufacturers to renew their eligibility in the enterprise zone program for an additional seven years, amends the definition of "qualified business" to include any limited liability corporation, and includes other substantive improvements. Given the current recession and the difficulties of maintaining agricultural operations under such conditions, and the increased frequency of agricultural operations becoming limited liability corporations, the HAA finds the changes included in SB1248 both timely and beneficial to agricultural operations in the State Enterprise Zones and therefore strongly supports SB1248. Thank you for the opportunity to testify.

Ronald P. Weidenbach, HAA President, hawaiiifish@gmail.com, (808) 429-3147