

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING SB 1299 SD 1 HD1
RELATING TO GENERAL EXCISE TAX**

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

DATE: APRIL 8, 2009

TIME: 4:30PM

ROOM: 308

This bill proposes to amend section 209E-2, HRS, to modify Hawaii Enterprise Zone law by expanding the definition of "qualified business" to include businesses engaged in advanced flight simulator training for pilots, dispatchers, mechanics, or air traffic controllers.

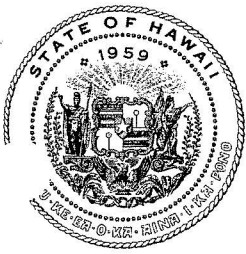
The House Committee on Economic Revitalization, Business and Military Affairs amended the effective date to encourage further discussion.

The Department of Taxation ("Department") **opposes the unbudgeted revenue loss contained in this measure.**

UNSURE OF ANY FLIGHT SIMULATION FOR MECHANICS—The Department points out that it is unsure what types of advanced flight simulation would be available for mechanics and questions this term's inclusion in the bill.

OPPOSED DUE TO BUDGET IMPACT— The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue collections, this measure would add to the budget shortfall.

REVENUE LOSS—This bill will result in a revenue loss of approximately \$400,000 for fiscal year 2010, \$1.2 million for fiscal year 2011, \$400,000 for fiscal year 2012 and \$275,000 per year thereafter.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON FINANCE

Tuesday, April 08, 2009
4:30 p.m.

State Capitol, Conference Room 308

in consideration of
SB 1299 SD1 HD1

RELATING TO ADVANCED FLIGHT SIMULATOR TRAINING

Chair Oshiro, Vice-Chair Lee, and members of the Committee. The department supports the concept of SB 1299 SD1 HD1, which includes commercial aviation training as a qualified business for enterprise zone benefits, as long as its implementation does not impact or replace the priorities set forth in the Executive Biennium Budget for Fiscal Years 2009-2011.

This bill would allow businesses engaged in commercial aviation training for pilots, dispatchers, mechanics, or traffic controllers to be eligible to participate in the State Enterprise Zone Partnership program.

Hawaii's EZ program has been modeled after a nationally recognized tax credit program. Established in 1986, it is one of the State's few funded programs that assist for-profit businesses. The State provides tax incentives such as GET exemptions, State unemployment insurance credit, and income tax credit. The Counties may also provide

additional benefits such as building permit priority processing, building permit fee waiver, grading permit fee waiver, and property tax rebates.

By allowing commercial aviation training to become eligible for Enterprise Zone benefits, we will be encouraging new investment in Hawaii, creating more jobs with better pay for our residents, and providing more opportunities for those airlines that are already established in Hawaii to become more profitable by building a better trained workforce of local residents. We feel that the commercial aviation training sector presents an opportunity for our State to raise the level of education and skills of our resident workforce.

Thank you for the opportunity to provide these comments.

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