

STAND. COM. REP. NO. 759

Honolulu, Hawaii

March 6, 2009

RE: H.B. No. 1583  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fifth State Legislature  
Regular Session of 2009  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1583 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to ensure fiscal balance by:

- (1) Reducing the business tax credits allowed under Chapters 235, 239, 241, and 431, Hawaii Revised Statutes (HRS), in phases over three years starting January 1, 2009;
- (2) Exempting the following credits from the reduction:
  - (a) Section 235-55, HRS (relating to a tax credit for resident taxpayers);
  - (b) Section 235-55.6, HRS (relating to expenses for household and dependent care services necessary for gainful employment);
  - (c) Section 235-55.7, HRS (relating to an income tax credit for low-income household renters);
  - (d) Section 235-55.85, HRS (relating to the refundable food/excise tax credit);



- (e) Section 235-110.7, HRS (relating to the capital goods excise tax credit);
- (f) Section 239-6.5, HRS (relating to the tax credit for a lifeline telephone service subsidy); and
- (g) Any credit against any tax required by the Constitution or the laws of the United States;

and

- (3) Suspending the carryover of business tax credits allowed under Chapters 235, 239, 241, and 431, HRS, between January 1, 2009, and January 1, 2012.

The Hawaii Government Employees Association and several concerned individuals testified in support of this bill. International Alliance of Theatrical Stage Employees Local 665, Hawaii Association of REALTORS, Hawaii Farm Bureau Federation, the Hawaii Science & Technology Council, Hawaii Crop Improvement Association, Screen Actors Guild Hawaii Branch, Makai Motion Pictures, Pacific Aquaculture and Biotechnology LLC, Claim Check, Superb Development & Service Corp., Cellular Bioengineering, Inc., Steiner & Associates, Edutainment Resources, Inc., Ocean Engineering and Energy Systems, Inc., Pipeline Micro, Pukoa Scientific, Shinkawa Limited, Hawaii Media, Inc., Aloha Island, Inc., Charles Michael Brotman Music LLC, MIX808, Island Planet One Productions LLC, DataHouse Consulting, Inc., Archinoetics, LLC, Pacific LightNet, Sopogy Inc., DRC, SEE/RESCUE Corporation, Lauwae Cazimero, Cardax Pharmaceuticals, Inc., Oceantronics Inc., Monsanto Hawaii, Hyperspective Studios, Inc., Real-Time Genomics, LLC, Island Film, Pacific Light and Power, LLP, Natural Power Concepts, OmniGreen Renewables LLC, NovaSol, Kobayashi Development Group LLC, and numerous concerned individuals opposed this measure. The Department of Taxation, Department of Business, Economic Development, and Tourism, Department of Agriculture, Film Commissioner of the City and County of Honolulu, Office of Economic Development of the County of Maui, Tax Foundation of Hawaii, Hawaii Film & Entertainment Board, Hawaii Teamsters and Allied Workers, Local 996, Land Use Research Foundation of Hawaii, Hawaii Farm Bureau Federation, Carbon Diversion, Inc., Sennet Capital LLC, Alexander & Baldwin, Inc., Hawaiian Commercial & Sugar Company, and numerous concerned individuals provided comments.



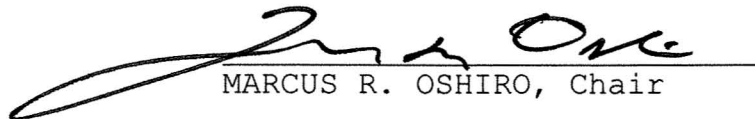
Upon careful consideration, your Committee has amended this bill by deleting its substance and inserting the substance of House Bill No. 1588 and making additional amendments. As amended, this bill:

- (1) Also reduces claims to business tax credits in Chapters 235, 239, 241, and 431, HRS, but only for two years, from January 1, 2009, to January 1, 2011;
- (2) Adds section 235-110.7, HRS (relating to the capital goods excise tax credit), to the business tax credits to be reduced; and
- (3) Adds the following exclusions from the tax credit reduction:
  - (a) Section 235-15, HRS (relating to a tax credit for child passenger restraint systems);
  - (b) Section 235-17, HRS (relating to a tax credit for motion picture, digital media, and film production);
  - (c) Section 235-110.3, HRS (relating to a tax credit for ethanol facilities);
  - (d) Section 235-110.6, HRS (relating to a tax credit for commercial fishers' fuel);
  - (e) Section 235-110.8, HRS (relating to a credit for low-income housing); and
  - (f) Section 235-110.91, HRS (relating to a credit for research activities);
- (4) Suspends the carryover of business tax credits between January 1, 2009, and January 1, 2011;
- (5) Caps the amount of tax credits that may be claimed during the two-year period at 75 percent of the taxpayer's tax liability; and
- (6) Sunsets on January 1, 2015.



As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1583, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1583, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Finance,

  
MARCUS R. OSHIRO, Chair



