LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

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DEPARTMENT OF TAXATION
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HOUSE COMMITTEE ON FINANCE

TESTIMONY REGARDING HB 611
RELATING TO TAXATION

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 26, 2009
TIME: 3PM
ROOM: 308

This bill repeals certain net income tax credits and exemptions from the General Excise Tax (GET), and it expands the current responsibilities for the Department of Taxation to coordinate and lead efforts to evaluate certain of Hawaii's income tax credits and exemptions. This bill also appropriates funds from the general revenues to support these obligations. The bill also imposes a new penalty for an unreasonable and erroneous claim for a tax refund or a tax credit. The bill takes effect upon approval, with the section providing appropriations taking effect on July 1, 2008 and with various tax credits and GET exemptions set to expire between December 31, 2011 and December 31, 2012.

The Department of Taxation (Department) **supports the need to evaluate credits and exemptions and supports the intent of automatic repeal without legislative action**. The Department **strongly supports the provisions that impose penalties on unreasonable claims for tax refunds or tax credits** .

I. NEED TO DISCOURAGE UNREASONABLE CLAIMS FOR TAX REFUNDS AND CREDITS

Congress recently amended the Internal Revenue Code to allow for a twenty percent penalty on any excessive refund claims.

This new erroneous refund claim penalty is found at 26 USC § 6676. This penalty was included in recent congressional legislation as a revenue raiser for the federal government. With certain of the tax incentives provided in Title 14, HRS, providing the Department of Taxation with the ability to assess a penalty for refund or credit claims where a taxpayer's claim lacks a reasonable basis will assist with the administration of Hawaii's taxes by providing a deterrent mechanism, which presently does not exist. As was the intent on the federal level, this legislation would also be a potential revenue raiser for the general fund.

Lately, more taxpayers have adopted a strategy of making unreasonable and erroneous claims for tax refunds and tax credits in hopes of resolving the claims during settlement discussions if the claims are ever discovered. Effective measures to discourage this behavior are needed. The unreasonable claims are costly to the State, both because they make the job of monitoring tax returns harder – more effort must be spent - and because some of the unreasonable claims are not discovered. The Department believes the proposed new penalty will provide an effective deterrent to the unreasonable claims.

II. EVALUATING HAWAII'S NUMEROUS SPECIAL TAX CREDITS AND TAX EXEMPTIONS, AND ADDITIONAL RESOURCES, ARE IMPORTANT

Hawaii's tax laws contain special tax credits and exemptions that were enacted to promote various social or economic goals. In general, basic principles of public finance dictate that tax rates should be as uniform as possible to minimize the distortions that taxes create in the economy. It is therefore a good idea to evaluate the credits and exemptions from time to time to see whether they are working as they were meant to work. This bill provides such an evaluation.

The job of evaluating the special credits and exemptions is a big one. As currently constituted, this bill asks the Department to evaluate dozens of separate sections in Title 14, many of which contain more than one special tax provision. Even excluding the provisions that are not truly special exemptions from a uniform general excise tax (GET), the bill will require evaluating more than 50 special credits and exemptions over the next four years.

For a competent study of the income tax credits, state tax returns must be matched with federal income tax returns to obtain a comprehensive picture of the taxpayer's income. The Department must be intimately involved in the evaluations of these credits, because the State is unable to provide access to federal income tax returns to outside researchers, or even to any of its other agencies. The evaluations will also require in-depth knowledge of how the State's income tax credits actually operate.

It will be even more challenging to evaluate some of the GET exemptions, as the evaluations will require substantial research to identify data sources. For these reasons, the Department strongly urges that the Committee to provide the Department with the resources from the general fund for the purposes of this act, including funding for three permanent, full-time equivalent positions (an economist, a research statistician, and an administrative rules specialist).

III. AUTOMATIC REPEAL SHOULD BE HANDLED CAUTIOUSLY

As a general consideration, automatic repeal of the magnitude contemplated by this legislation should be approached cautiously. This is a particularly serious responsibility, since these tax provisions will completely disappear without a sound basis for legislative intervention.

The current bill contains a number of items that are listed as exemptions from the GET that probably do not merit consideration. These exemptions are necessary for the GET to have a sensible structure that minimizes economic distortions – they are not exceptions from a uniform and consistently administered excise tax.

IV. REVENUE ESTIMATE

The new penalty for erroneous and unreasonable claims for tax refunds or tax credits will raise $2.4 million in fiscal year 2010.

The other provisions will not affect tax revenues within the revenue window. The following are very tentative estimates of the revenue gains of these other provisions. The current direct annual revenue gain from the credits and exemptions set to expire are about $404 million for FY2012; about $1.88 billion for FY2013; about $1.406 billion for FY2014; and about $1.47 billion for FY2015. The estimates do not include the revenue gains from eliminating the GET exemption for public service companies (given by section 237-23(1), HRS).

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

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Thursday, February 26, 2009
3:00 PM
State Capitol, Conference Room 308

in consideration of
HB 611
RELATING TO TAXATION.

Chair Oshiro, Vice-Chair Lee and Members of the Committee:

The Department of Business, Economic Development, and Tourism (DBEDT) appreciates the intent of this measure, however, due to the downturn of Hawaii's economy, the closing of so many businesses and the loss of jobs, we have serious concerns about the impact of this measure as it would repeal §235-17 motion picture, digital media and film production income tax credit, known as Act 88 on December 31, 2013 which is two (2) years earlier than the current sunset date of December 31, 2015. Act 88 is an integral part in the continued success and development of Hawaii's film industry. The production incentive has generated $322 million in direct expenditures since its inception in 2006, provided high paying jobs, resulted in tourism sector support, and has provided education and workforce development across the state. As we continue our work in a highly competitive climate to attract more production business to Hawaii to stimulate our economy, the early repeal of this important tax credit for film sends the wrong message to the industry.

The entertainment industry should be viewed as part of the **solution** to the economic challenge we face. Not only does production provide skilled, well-paying jobs, it works to support our visitor industry infrastructure and provides valuable exposure the state might not otherwise be able to afford. The marketplace has become fiercely competitive on a global scale, with Hawaii competing for its share of production business mostly with other countries rather than U.S. states. To the extent we can maintain our tax incentives, Hawaii will continue to attract production business to our islands. We must be mindful that the global entertainment industry is monitoring closely which jurisdictions they can depend upon for stability and certainty in their production planning. Hawaii needs to be careful it does not inadvertently drive production away by contemplating changes in current film incentive programs for our state.

Thank you for the opportunity to offer testimony.

Linda Lingle
GOVERNOR

KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON FINANCE
February 26, 2009, 3:00 p.m.
Room 308, State Capitol

In consideration of
H.B. 611
RELATING TO TAXATION.

The HHFDC has serious concerns with H.B. 611 because it destabilizes and eliminates affordable housing development incentives that have resulted in the construction or substantial rehabilitation of thousands of affordable housing units statewide. We defer to the appropriate state departments and agencies with respect to the remainder of the bill. Our comments on specific portions of this bill follow.

This bill repeals section 235-110.8, Hawaii Revised Statutes (HRS) as of December 31, 2013. Section 235-110.8 establishes the State Low Income Housing Tax Credit (LIHTC) for eligible affordable rental housing projects. The LIHTC is taken over a 10 year credit period, and, since it is paired with the Federal LIHTC, is heavily regulated by the Internal Revenue Service, to ensure that the projects allocated credits meet requirements. All LIHTC-financed rental units are targeted at low-income seniors and families earning 60 percent or less of the area median income. Without the LIHTCs, it is unlikely that such projects could be developed given the high cost of land and construction.

<u>Even if the State LIHTC is ultimately unaffected, the uncertainty created by this bill may chill the market for LIHTCs and stall affordable rental housing development</u>. Potential LIHTC investors would not be willing to purchase the credits until they were relatively certain that the tax credits would be available for the LIHTC's entire 10 year credit period. This uncertainty increases risk for affordable housing developers, and ultimately serves as a disincentive to affordable rental housing development.

This bill also repeals section 241-4.7, HRS, which makes the state LIHTC applicable to banks and financial corporations, and section 237-29, the general excise tax (GET) exemption for certified affordable housing projects as of December 31, 2013.

The Legislature's intent in creating the GET exemption for certified affordable housing projects was to assure the economic feasibility in the development of a housing project which will encourage and enable the production of as many lower cost housing units as possible. The GET exemption has been a successful incentive for the development and preservation of affordable housing, and should be allowed to continue.

<u>H. B. 611 will also adversely affect the financial stability of existing affordable housing projects that have previously been awarded LIHTCs or GET exemptions.</u> The net result of these repeals should they come to pass is to increase the risk of default and foreclosure, of affordable rental housing projects statewide.

While we understand the intent of this bill is to address budget constraints, the HHFDC urges the Committee to delete references to LIHTCs or GET exemptions for certified affordable housing projects from this bill. However, if it is the Committee's intent to move this bill forward, we respectfully suggest that the bill be amended to exempt existing projects with LIHTCs or GET exemptions, by amending section 6 of the bill to read as follows:

SECTION 6. This Act shall take effect upon its approval; provided that

(1) Section 4 shall take effect on July 1, 2009;

(2) Subsection (c)(4) of Section 3 shall not apply to low-income housing tax credits awarded under section 235-110.8, Hawaii Revised Statutes, prior to January 1, 2013;

(3) Subsection (c)(8) of Section 3 shall not apply to a housing project which has been certified or approved under section 201H-36, Hawaii Revised Statutes, and exempted from general excise taxes under section 237-29, Hawaii Revised Statutes, prior to January 1, 2013; and

(4) Subsection (c)(9) of Section 3 shall not apply to low-income housing tax credits awarded under section 241-4.7, Hawaii Revised Statutes, prior to January 1, 2013.

Thank you for the opportunity to testify.

LINDA LINGLE
GOVERNOR

LILLIAN B. KOLLER, ESQ.
DIRECTOR

HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 26, 2009

MEMORANDUM

TO: Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Lillian B. Koller, Director

SUBJECT: H.B. 611 – RELATING TO TAXATION
Hearing: Thursday, February 26, 2009, 3:00 p.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to require the Department of Taxation (DoTax) and the Department of Human Services (DHS) to evaluate certain tax credits and tax exemptions and report to the Legislature as to whether they should be modified, reenacted, or repealed. Provides automatic repeal of the tax credits and tax exemptions unless extended by the Legislature..

DEPARTMENT'S POSITION: The Department of Human Services cannot support this bill as written. This bill would require DHS to evaluate certain tax credits and tax exemptions and report to the Legislature as to whether they should be modified, reenacted, or repealed. We request that this function be given to a Department that has this expertise and to whom we will gladly provide any information necessary for its evaluation.

The tax credits listed for DHS to evaluate are not DHS tax credits. Section 235-15 regarding child passenger seats is a Department of Health program. Section 235-110.2 for school repair and maintenance is administered by the Department of Education. Section 239-

6.5 is for telephone service under the Public Utilities Commission. Sections 235.110.8 and 237.29 are under the Hawaii Housing Finance and Development Corporation that is attached to DBEDT. Section 241.4.7 is an income tax credit with the Department of Taxation better able to provide information.

We defer to DoTax as to the placement of the evaluation function in DoTax as proposed in this bill and respectfully request that the passage of this bill does not replace nor adversely impact the priorities in the Executive Biennium Budget.

Thank you for this opportunity to testify on this bill.

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MUFI HANNEMANN
MAYOR

WALEA CONSTANTINAU
FILM COMMISSIONER

Testimony of Walea Constantinau, Film Commissioner
Honolulu Film Office - Office of the Mayor
City and County of Honolulu

HOUSE COMMITTEE ON FINANCE

February 26, 2009 – 3:00 pm
State Capitol, Conference Room 308

RE: 611 - Relating to Taxation

Dear Chair Oshiro, Vice Chair Lee and members of the committee:

I **oppose a portion of HB 611 that seeks to alter Section 235-17** as it would adversely affect the basic refundable 15-20% film tax credit known as Act 88.

I appreciate the long-standing support the legislature has given the film industry and the particular attention that legislators, the administration and the industry cooperatively engaged in when developing Act 88. The measure has served to **attract and encourage more than $300M of spending** in the state from July 2006 (it's inception) through October 2008, at **no cost to the state.**

The bill was designed to be **revenue neutral** and numbers confirm that the intent is being met and exceeded. For calendar year 2007, the **state netted an estimated $11 million in tax revenue, after the payout of the credit**.

Couple this with the knowledge that the bill has served to create a jobs across a broad spectrum, contributed to workforce development, supported our #1 industry, tourism with literally thousands of hotel room nights as well as millions of dollars of free advertising, and you see why we feel that Act 88 is a part of the **SOLUTION** and not a contributor to the economic challenge we now find ourselves in.

I respectfully request that the provision that speaks to Act 88, referred to as Section 235-17 in the measure, be removed from the bill.

William P. Kenoi
Mayor

Stephen J. Arnett
Housing Administrator

County of Hawaii
OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
50 Wailuku Drive • Hilo, Hawai'i 96720-2484
V/TT (808) 961-8379 • FAX (808) 961-8685

February 25, 2009

The Honorable Marcus R. Oshiro
The Honorable Marilyn B. Lee, Vice Chair
and Committee Members
Committee on Finance

Twenty-Fifth Legislature
Regular Session of 2009

SUBJECT: **House Bill 611**
Hearing Date: 2/26/09
Time: 3:00 PM
Conference Room: 308

The Office of Housing and Community Development (OHCD) **strongly opposes** HB 611, which repeals the Low Income Housing Tax Credit (LIHTC) under HRS §235-110.8 and the General Excise Tax (GET) Exemption for Certified or Approved Housing Projects under HRS §237-29 and the Low Income Housing Tax Credit under HRS §241-4.7 after December 31, 2013. These programs are critical to the successful development of affordable housing statewide.

All LIHTC-financed rental units are targeted for low-income seniors and families earning 60 percent or less of the area median income. Without the LIHTCs, it is unlikely that such projects could be developed given the high cost of land and construction.

The GET exemption for certified affordable housing projects assures the economic feasibility for development of a housing project, which will encourage and enable the production of as many lower cost housing units as possible. The GET exemption has been a successful incentive for the development and preservation of affordable housing, and should be allowed to continue.

Thank you for your careful consideration of the negative impacts of this bill.

Stephen J. Arnett
Housing Administrator

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EQUAL HOUSING OPPORTUNITY
"HAWAI'I COUNTY IS AN EQUAL OPPORTUNITY PROVIDER AND EMPLOYER"

CHARMAINE TAVARES
MAYOR

DEIDRE M. TEGARDEN
OED COORDINATOR

BENITA BRAZIER
FILM COMMISSIONER

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Office of Economic Development
COUNTY OF MAUI – Kalana O Maui

February 25, 2009
Testimony from
Benita Brazier
Maui County Film Commissioner

House Committee on Finance

February 26, 2009 3:00pm
State Capitol, Conference Room 308

RE; HB 611 – Section 235-17

Dear Chair Oshiro, Vice-Chair Lee and members of the committee:

As the film commissioner from the County of Maui, I strongly oppose the portion of HB 611 that applies to 235-17. This is the refundable tax credit, known as Act 88. I respectfully request that you remove its reference from the measure. While I understand that we find ourselves in economically challenging times, this measure is a fiscally responsible credit.

The bill named Act 88 does not take money from the general fund – it is revenue neutral. Language in the bill bases the credit on a percentage of what is actually spent by a production company. Since its signing in 2006 the measure has generated over $300 million dollars in direct expenditures into the local economy at no cost to the state.

This bill has created hundreds of direct industry jobs as well as creating business opportunities for hundreds of vendors throughout the state.

Finally, the bill provides the state with millions of dollars in free advertising.

As I mentioned, I am well aware and understand that a review of all credits has become necessary; however, I feel that the above information strongly supports the fact that this measure is part of the solution and not part of the problem.

I respectfully request you eliminate Section 235-17 from the measure.

I thank you for the opportunity to provide testimony.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, INCOME, GENERAL EXCISE, PUBLIC SERVICE COMPANY, BANKS AND OTHER FINANCIAL INSTITUTIONS, LIQUOR, Repeal tax credits, exemptions

BILL NUMBER: HB 611

INTRODUCED BY: Chong, M. Lee, Say, Yamashita

BRIEF SUMMARY: Adds a new section to HRS chapter 231 to provide that a person making a claim for an excessive amount of tax refund or credit without a reasonable basis shall be subject to a penalty of 20% of the excessive amount. Defines "excessive amount" as the amount by which the claim or refund for any taxable year exceeds the amount of such claim allowable for the taxable year.

Adds a new section to HRS chapter 231 to require the department of taxation to perform an evaluation of the tax credits or exemptions provided in title 14 and the following tax credits or exemptions prior to their repeal date. Requires the submission of an evaluation to the legislature prior to the convening of the: (1) 2011 regular session for credits and exemptions that will be repealed on December 31, 2011; (2) 2012 regular session for credits and exemptions that will be repealed on December 31, 2012; and (3) 2013 regular session for credits and exemptions that will be repealed on December 31, 2013.

Permits the department of taxation to contract with recognized technical experts knowledgeable in the field of economics, establish a technical advisory group to help identify and develop data elements needed for analyses; and collect, process, and analyze data from federal, state, and local government sources. The data and analyses shall provide sufficient information to allow the legislature to determine whether the tax credits and exemptions have achieved their intended objectives, whether they are consistent with public policies, and whether they should be reenacted, modified or permitted to expire.

If it is determined that the laws establishing the tax credits or exemptions should be modified, the department of taxation, with the assistance of the various state departments enumerated in the measure, shall submit drafts of recommended legislation to be considered for enactment if, when enacted, they would improve the policies, procedures, and practices of the tax credits or exemptions.

Directs the department of taxation, with the assistance of the various state departments enumerated in the measure, to make recommendations to improve the operation of a tax credit or exemption, including recommendations for appropriate restrictions to be implemented before the termination of the tax exemptions or credits.

Repeals the following on December 31, 2011:

235-9.5	Stock options from qualified high technology businesses excluded from taxation
235-15	Child passenger restraint systems
235-110.2	Credit for school repair and maintenance

235-110.51	Technology infrastructure renovation tax credit
237-24	Amounts not taxable
237-24.3	Additional amounts not taxable
237-24.9	Aircraft service and maintenance facility
237-27	Exemption of certain petroleum refiners
237-29.53	Exemption for contracting or services exported out of state
237-29.55	Exemption for tangible personal property for resale at wholesale
237-29.8	Call centers exemption; engaging in business; definitions;
239-12	Call centers; exemption; engaging in business; definitions

Repeals the following on December 31, 2012:

235-110.6	Fuel tax credit for commercial fishers
235-110.7	Capital goods excise tax credit
237-16.8	Exemption of certain convention, conference, and trade show fees
237-23	Exemptions, persons exempt, applications for exemption
237-23.5	Related entities, common paymaster; certain exemption transactions
237-24.5	Additional exemptions
237-24.7	Additional amounts not taxable
237-24.75	Additional exemptions
237-25	Exemptions of sales and gross proceeds of sales to federal government, and credit unions
237-28.1	Exemption of certain shipbuilding and ship repair business
237-29.5	Exemption for sales of tangible personal property shipped out of the state
239-6.5	Tax credit for lifeline telephone service subsidy

Repeals the following on December 31, 2013:

235-12.5	Renewable energy technologies; income tax credit
235-17	Motion picture, digital media, and film production income tax credit;
235-110.3	Ethanol facility tax credit
235-110.8	Low-income housing tax credit
237-26	Exemption of certain scientific contracts with the United States
237-27.5	Air pollution control facility
237-27.6	Solid waste processing, disposal, and electric generating facility; certain amounts exempt
237-29	Exemptions for certified or approved housing projects
241-4.7	Low-income housing; income tax credit
244D-4.3	Exemption for sales of liquor out of the state

Requires the department of human services (DHS) to perform an evaluation of the following tax credits or exemptions prior to their repeal date.

235-15	Tax credits to promote the purchase of child passenger restrain systems
235-110.2	Credit for school repair and maintenance
235-110.8	Low-income housing tax credit
237-29	Exemptions for certified or approved housing projects

239-6.5	Tax credit for lifeline telephone service subsidy
241-4.7	Low-income housing; income tax credit

Appropriates $______ in general funds for fiscal 2010 and fiscal 2011 to carry out the purposes of this act, including funding for ___ permanent, full-time positions (an economist, a research statistician, and an administrative rules specialist) in the department of taxation and also to reimburse other state agencies for costs incurred in performing tasks required by this act. This section shall take effect on July 1, 2009.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: On the federal level, the Small Business and Work Opportunity Act of 2007 (SBWOA) (Title VIII of P.L. 110-28) added an erroneous refund claim penalty. If a claim for a refund or credit is made for an excessive amount, and there is no basis for such claim, then a penalty of 20% of the disallowed amount of the claim is assessed on the person making the claim. While the proposed measure adopts similar provisions for Hawaii tax purposes, it should be clarified to be applicable to all taxes under Title 14 and to include HRS chapter 431 which imposes the Insurance Premiums Tax.

This measure repeals various tax credits and exemptions of state tax law after a review is performed by the department of taxation. This measure is, no doubt, proposed to address concerns about the plethora of targeted business tax credits adopted in recent years. With everything from investments in high technology to ethanol producing plants to tax credits for hotel construction and home renovation and construction, taxpayers have been asked to pay for projects for which there are just promises that jobs will be created or new businesses will be attracted to provide those jobs. At the end of the day, while the beneficiaries laugh all the way to the bank with their profits, the taxpayer is left empty-handed. It should be remembered that giving tax breaks to one select group of taxpayers comes at the expense of all other taxpayers. As such, it is an insult to all other taxpayers that they are not deserving of such tax preferences. Rather than singling out a particular area for tax relief, concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses.

While there is no doubt that many of the income tax credits deserve to be repealed care should be exercised that such repeal does not have unexpected consequences. The repeal of the capital goods excise tax credit under HRS section 235-110.7 and the fuel tax credit for commercial fishers under HRS section 235-110.6 would result in higher operating costs for businesses that, no doubt, will be passed on to consumers in the form of higher prices of goods. In the case of the capital goods excise tax credit, the credit was to offset the cost of the general excise tax imposed on the acquisition of capital goods which are key to the creation of new jobs. The fuel tax credit for commercial fishers is supposed to refund the fuel tax paid on the fuel purchased, but the tax credit is taken against the income tax which is a resource of the state general fund. On the other hand, other provisions, such as the child passenger restraint tax credit, are justified due to the state's mandatory seat belt law.

While the continuance of some of the general excise tax exemptions is questionable, many of the exemptions exist because if the general excise tax were imposed on these entities or transactions it would impose an undue burden or cause businesses to structure transactions in an inefficient manner. Other exemptions exist because imposing the general excise tax would mean double taxation of the same income as is the case with public service companies and financial institutions. These business pay other taxes, imposed in lieu of the general excise tax, because of the unique nature of these businesses.

Those exemptions of questionable existence are those which were granted as incentives to encourage taxpayers to engage in certain types of behavior. Whether or not these exemptions should be continued is a matter of policy for the legislature to reaffirm. If these exemptions are deemed necessary to maintain a specific type of activity, lawmakers should justify the contribution to the economy the activity makes and acknowledge that such incentives come at the expense of all taxpayers. Existing general excise tax exemptions should be examined to ascertain whether they are still necessary. The last comprehensive review and overhaul was the result of the 1989 Tax Review Commission. One outcome was that the general exemption of insurance companies was narrowed when it was learned that insurance companies had income other than from insurance premiums which escaped the imposition of the general excise tax. Thus, the exemption for income received in the form of insurance premiums recognizes that the premiums tax is imposed on that type of income. Similarly, when it was recognized that employee benefit plans received income other than from employee contributions and earnings on those contributions, the provision was narrowed to specifically exclude rental income or proceeds. While the most recent Tax Review Commission - the 2005-2007 Commission - looked at some of these exemptions, it was largely an inquiry about either narrowing or broadening the general excise tax base.

On the other hand, the exemptions for purchases of food with foods stamps and qualified food items purchased with WIC coupons exist because of a federal pre-emption that such purchases are exempt from taxation. Other amounts specifically exempt from the general excise tax include liquor, cigarette, and transient accommodations tax amounts that would constitute a tax on a tax.

Among those general excise tax exemptions, which if repealed could create inefficiencies in the way business is conducted in Hawaii, are the exemptions for cooperative associations (HRS 237-23), cooperative housing corporations (-24), and reimbursement of nonprofit homeowner associations, and advertising contributions to an unincorporated merchant's association (-24.3).

Then there is the matter of consistency in recognizing certain entities as being exempt because they provide a public purpose such as charitable, scientific, and educational organizations, nonprofit health care organizations, nonprofit shippers, nonprofit child placing organizations (HRS 237-23 and -24).

This then leaves those exemptions which beg justification based on policy established by the legislature. It is a matter for the legislature to justify repealing the exemption or continuing it. Included in this group are exemptions for fraternal benefit societies, business leagues, persons affected with Hansen's disease, cemetery associations (HRS 237-23), income of the blind deaf or disabled, (-24), prescription drugs and prosthetic devices (-24.3), stock exchanges (-24.5), scientific contracts with the U.S. (-26), shipbuilding (-28.1), and certified housing projects (-29).

While this measure proposes to implement a recommendation of not only the most recent Tax Review Commission, but previous Commissions as well, that is to minimize or eliminate all tax exemptions and credits, the elimination of these exemptions may cause more inequities and problems. Thus, the Tax Review Commission's recommendation deserves a measured and learned response.

It should be noted that this measure directs the department of human services to evaluate some of the tax credits which appear to be focused on low-income individuals or on housing. In some cases, like the low-income housing tax credit, that is a credit administered by the Hawaii Housing Development Corporation located within DBEDT. The efficacy of the school repair and maintenance tax credit probably would be better evaluated by the department of education, and life line telephone service probably could be better evaluated by the public utilities commission.

Digested 2/26/09

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

AFSCME
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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 26, 2009

H.B. 611 - RELATING TO TAXATION

The Hawaii Government Employees Association supports the purpose and intent of H.B. 611, which requires the Departments of Taxation and Human Services to evaluate certain tax credits and tax exemptions and report to the Legislature. The bill also provides a stiff penalty if anyone makes a claim for a tax refund or credit in an excessive amount.

We believe that a thorough review of tax credits and tax exemptions provided by the State is absolutely necessary during these difficult economic times. The evaluation should enable the Legislature to exercise appropriate oversight by determining whether the tax credits and tax exemptions achieve their intended objectives, and if they should be reenacted, modified or eliminated.

This evaluation will help the Legislature to make more fiscally sound and effective spending decisions and reduce the necessity of drastic spending cuts. Every dollar provided through tax credits and tax exemptions has the same impact on the budget deficit as spending that dollar.

To balance the State's budget, we need to ensure that ineffective or overly expensive tax credits and tax exemptions are reduced. Thank you for the opportunity to testify in support of H.B. 611.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

888 MILILANI STREET, SUITE 601 HONOLULU, HAWAII 96813-2991

The Mutual Housing Association of Hawai'i, Inc.
MHAH

CENTRAL OFFICE

Pioneer Plaza
900 Fort Street Mall, Suite 1690
Honolulu, Hawai'i 96813

Tel: (808) 550-0804
Fax: (808) 550-0607
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PROPERTIES

Lihu'e Court Townhomes
Kekaulike Courtyards
Palolo Homes

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David M. Nakamura

February 26, 2009

Honorable Marcus Oshiro, Chair
And Members of the Finance Committee
State House of Representatives
Hawai'i State Capitol
415 South Beretania Street; Room 306
Honolulu, Hawai'i 96813

Dear Chair Oshiro and Members:

Subject: House Bill No. 611 - Related to Taxation

The Mutual Housing Association of Hawai'i, Inc. ("Mutual Housing") strongly opposes House Bill No. 611 which repeals the General Excise Tax ("GET") Exemption for certified or approved housing projects under HRS §237-29. Developers and owners of affordable housing projects rely on this GET exemption to make their projects financially feasible and to maintain the affordability of their rents for low-income families. This bill will have a detrimental impact on existing and future affordable rental apartments throughout the State.

As Hawai'i faces an affordable housing crisis, we have seen our number of homeless growing, while even working families find it necessary to double-up with family or friends. New rental housing production has not kept pace with the loss over the years of affordable housing units through demolition, speculation, and conversion to for-sale units.

It will take years to develop the projects to meet all of the need in the state. The GET exemption is one of the critical tools in helping organizations like Mutual Housing address our affordable rental shortage.

The GET exemption for certified affordable housing projects has been in place to assist the economic feasibility in the development of affordable housing projects. It has proven to be a successful incentive for the development and preservation of affordable housing and should be allowed to continue.

Thank you for the opportunity to provide this testimony.

Sincerely,

David M. Nakamura
Executive Director

NeighborWorks
CHARTERED MEMBER

Hawai'i Association of REALTORS®
www.hawaiirealtors.com
The REALTOR® Building
1136 12th Avenue, Suite 220
Honolulu, Hawaii 96816
Phone: (808) 733-7060
Fax: (808) 737-4977
Neighbor Islands: (888) 737-9070
Email: har@hawaiirealtors.com

February 25, 2009

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
State Capitol, Room 308
Honolulu, Hawaii 96813

RE: H.B. 611, Relating to Taxation

HEARING DATE: Thursday, February 26, 2009 at 3:00 p.m.

Aloha Chair Oshiro and Members of the Committee on Finance:

I am Craig Hirai, a member of the Subcommittee on Taxation and Finance of the Government Affairs Committee of the Hawai'i Association of REALTORS® ("HAR"), here to testify on behalf of the HAR and its 9,600 members in Hawai'i. HAR **strongly opposes Subsections (c)(4), (c)(8) and (c)(9) of Section 3 of H.B. 611, Relating to Taxation,** which respectively repeal the Low Income Housing Tax Credit under HRS §235-110.8, the General Excise Tax ("GET") Exemption for Certified or Approved Housing Projects under HRS §237-29, and the Low Income Housing Tax Credit under HRS §241-4.7, after December 31, 2013.

We believe Smart Growth is our road map to sustaining and enhancing the quality of life in our communities, however, this bill does not align with our core principle of providing housing opportunities.

HAR has historically supported mechanisms to help increase the supply of low and moderate income affordable housing such as the Rental Housing Trust Fund Program, which can help integrate the use of mixed-income and mixed-use projects, special purpose revenue bonds, low-interest loans, block grants, low-income housing tax credit programs and deferred loan programs to provide rental housing opportunities.

Rental Housing Trust Fund projects qualify for and benefit from the GET exemption under HRS §237-29, and are often aided by equity financing generated from the Low Income Housing Tax Credit under HRS §235-110.8 and HRS §241-4.7. Repealing these programs will clearly reduce the amount of State funding available for desperately needed Rental Housing Trust Fund projects.

HAR also believes that if H.B. 611 Section 3, subsections (c)(4), (c)(8) and (c)(9) are passed in their current form, the repeal of HRS §§ 235-110.8, 237-29 and 241-4.7 will have the following adverse consequences:

1. With respect to existing projects, the repeal of the GET exemption under HRS §237-29 will reduce by at least 4% (4.5% in the City and County of Honolulu) the gross rents available for operating costs and debt service of hundreds of State and County approved rental housing projects throughout the State. This will almost certainly adversely affect these projects' ability to fund their operating and maintenance

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reserves, and may impair their ability to service their debts or may cause defaults under their outstanding mortgages.

2. With respect to projects approved between the date of enactment of H.B. 611 and December 31, 2013, the uncertainty of the continued existence of the GET exemption under HRS §237-29 will tend to reduce the amount of mortgage debt lenders are willing to lend for these projects, because their gross rents available for operating costs and debt service may decrease by 4% (or 4.5% in the City and County of Honolulu) on January 1, 2014. A logical consequence of such lender action would be a need for additional equity from sources such as the Rental Housing Trust Fund.

   The pricing of construction contracts for projects which are certified or approved under HRS §237-29 will also become more difficult and most likely more expensive as the December 31, 2013 repeal date grows closer, because contractors may not be able to complete construction by that date.

3. With respect to existing projects, the repeal of the Low Income Housing Tax Credits under HRS §§ 235-110.8 and 241-4.7 will not allow: (a) current investors to use of the full amount of their credits if their 10-year recovery period under HRS §235-110.8(c) and IRC §42(b) extends beyond December 31, 2013; and (b) the State to recapture the credit under HRS §235-110.8(d)(4) and IRC §42(j) after December 31, 2013.

   HAR also questions whether H.B. 611 imposes a substantial and unreasonable impairment of an existing contract with a taxpayer who invested in a qualified low-income building in exchange for Low-Income Housing Tax Credits allowable under HRS §§ 235-110.8 and 241-4.7, which may be in violation of the Contract Clause (Article I, Section 10, Clause 1) of the U.S. Constitution.

4. With respect to projects approved between the date of enactment of H.B. 611 and December 31, 2013, the uncertainty of the continued existence of the Low Income Housing Tax Credits under HRS §§ 235-110.8 and 241-4.7 will undoubtedly reduce the amount investors will be willing to pay for the credits because they cannot be assured of the use of the credit through its entire 10-year recovery period. Again, a logical consequence of such investor action would be a need for additional equity from sources such as the Rental Housing Trust Fund.

For the reasons set forth above, HAR respectfully requests that if Subsections (c)(4), (c)(8) and (c)(9) of Section 3 of H.B. 611 are passed in their current form, Section 6 of H.B. 611 be amended to read as follows:

> SECTION 6. This Act shall take effect upon its approval; provided that: <u>(1) subsection (c)(4) of section 3 shall not apply to low-income housing tax credits awarded under section 235-110.8, Hawaii Revised Statutes, prior to January 1, 2014; (2) subsection (c)(8) of section 3 shall not apply to a housing project which has been certified or approved under section 201H-36, Hawaii Revised Statutes, and exempted from general excise taxes under section 237-29, Hawaii Revised Statutes, prior to January 1, 2014; (3)</u>

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Email: har@hawaiirealtors.com

subsection (c)(9) of section 3 shall not apply to low-income housing tax credits awarded under section 241-4.7, Hawaii Revised Statutes, prior to January 1, 2014; and section 4 shall take effect on July 1, 2009.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.

HAWAI`I HOTEL & LODGING
ASSOCIATION
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Honolulu, HI 96815
Phone: (808) 923-0407
Fax: (808) 924-3843
E-Mail: hhla@hawaiihotels.org
Website: www.hawaiihotels.org

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TESTIMONY OF MURRAY TOWILL
PRESIDENT
HAWAI`I HOTEL & LODGING ASSOCIATION

February 26, 2009

RE: HB 611 Relating to the Taxation

Good afternoon Chairman Oshiro and members of the House Committee on Finance. I am Murray Towill, President of the Hawai`i Hotel & Lodging Association.

The Hawai`i Hotel & Lodging Association is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms and individuals. Our membership includes over 170 hotels representing over 47,300 rooms. Our hotel members range from the 2,523 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawai`i Hotel & Lodging Association supports HB 611. This bill would evaluate the value and appropriateness of various tax credits and exemptions. While we are uncomfortable with the mandated sun-setting of various credits. We support the idea of the State evaluating the cost and benefits of these credits and exemptions.

We also believe that the Tax Department should be required to consult with effected businesses and outside experts to ensure that a through evaluation takes place.

We believe many of these credits and exemptions are reasonable and will withstand a through evaluation. Others may not be appropriate and an evaluation could help the state develop better fiscal policies.

Finally, we would encourage the state to systematically evaluate the cost and benefits of all of its tax credits and exemptions.

Mahalo again for this opportunity to testify,

The Chamber of Commerce of Hawaii
The Voice of Business in Hawaii

Testimony to the House Committee on Finance
Thursday, February 26, 2009
3:00 p.m.
Conference Room 308
Agenda #6

RE: HOUSE BILL NO. 611 RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and members of the committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber is opposed to HB 611.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

House Bill 611 requires the Department of Human Services and the Department of Taxation to evaluate certain tax credits and tax exemptions and report to the legislature. It provides an automatic repeal of the tax credits and tax exemptions.

The Chamber of Commerce of Hawaii strongly opposes Subsections (c)(4), (c)(8) and (c)(9) of Section 3 of H.B. 611, Relating to Taxation, which respectively repeal the Low Income Housing Tax Credit under HRS §235-110.8, the General Excise Tax ("GET") Exemption for Certified or Approved Housing Projects under HRS §237-29, and the Low Income Housing Tax Credit under HRS §241-4.7, after December 31, 2013.

Our approach is to focus on enhancing the quality of life for the citizens of Hawaii. We believe a sustainably quality of life includes a wide range of housing opportunities, including affordable housing. This has been one of the top priorities of the Chamber, especially at a time when there is a pressing need for affordable units.

We also oppose (c)(9) and (c)(10) of Section 3 of H.B. 611. These sections would significantly impact those companies selling goods and services to the federal government, specifically the military, and the shipbuilding industry

The Chamber has always supported the number two industry in our state, the military industry, a major source of state revenues. During these tough economic times, the military is one of the few industries that is stable and that continues to provide opportunities for companies in our state selling goods and services as well as provide stable and high quality jobs.

Thank you for the opportunity to submit testimony.

HB 611
RELATING TO TAXATION
Agenda 6

KEN HIRAKI
VICE PRESIDENT – GOVERNMENT & COMMUNITY AFFAIRS
HAWAIIAN TELCOM

FEBRUARY 26, 2009

Chair Oshiro and Members of the Finance Committee:

I am Ken Hiraki, testifying on behalf of Hawaiian Telcom on HB 611, "Relating to Taxation." Hawaiian Telcom opposes provisions of this measure.

HB 611 establishes the repeal of numerous tax credits and exemptions beginning on December 31, 2011. While recognizing the value of periodic reviews of Hawaii's tax code as a tool in the development of sensible tax policy, automatic repeal of the scope as proposed in this measure must be approached very cautiously so both lawmakers and the public are fully informed as to the financial and social consequences that this repeal will trigger.

Hawaiian Telcom specifically opposes language repealing Section 239-6.5, Hawaii Revised Statutes (page 7, lines 6-7), which provides a tax credit for lifeline telephone service. Responding to the growing problem of "shut-ins", the Legislature in 1986 established the lifeline telephone program to provide discount telephone rates to those who are either physically disabled or seniors with annual household income below $10,000.

For many of those enrolled in the program, the landline telephone serves as the sole "lifeline" (especially in times of emergency or during an electrical power outage), connecting those that are disabled or seniors with their doctors, 911, or loved ones. There are currently over 3,000 lifeline beneficiaries enrolled statewide. If this program were eliminated, many will likely be forced to forego telephone service and may be left without any means of communication in case of emergency.

In addition, Hawaiian Telcom opposes the repeal of Section 237-23, Hawaii Revised Statutes (page 6, lines 8-9), which provides a GET exemption for those companies which have already paid a Public Services Company Tax in lieu of the GET. Section 239-5, Hawaii Revised Statutes, explicitly states that the tax imposed from the PSC tax is in lieu of all other taxes. If the exemption in Section 237-23 is not retained, Hawaiian Telcom will essentially have to pay the same GET amount twice resulting in an unfair double taxation on the same gross income!

Finally, Hawaiian Telcom opposes the repeal of Section 235-110.7, Hawaii Revised Statutes (page 6, lines 5), which provides a tax credit for the investment of capital goods and Section 237-23.5 Hawaii Revised Statutes (page 6, lines 10-12), which provides an exemption for services provided by related business entities. Repeal of these sections will remove meaningful financial incentives for our company to invest in new equipment and increase our cost of doing business which eventually will be passed on to local consumers.

Based on the aforementioned, we respectfully request that HB 611 be held in your committee. If, however, it is the intent of the committee to move this measure, we respectfully ask that the committee delete the specific provisions related to Sections 239-6.5, 235-110.7, 237-23 and 237-23.5.

Thank you for the opportunity to testify on this measure.

NAIFA
HAWAII
Hawaii

National Association of Insurance and Financial Advisors --

516 Kawaihae Street, Suite E
Honolulu, HI 96825

House Committee on Finance
Representative Marcus Oshiro, Chair

Date of Hearing: Thursday, February 26, 2009 **Time: 3:00 pm**
Agenda # 6

RE: House Bill 611 – Relating to Taxation

Chairman Oshiro and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of insurance agents throughout Hawaii, who primarily sell life insurance, annuities, long term care and disability income policies.

We are strongly opposed to HB 611 that will repeal certain tax credits and exemptions.

Proceeds from a life insurance policy after the death of the insured and amounts received from endowments and annuity contracts will be repealed under Section 237-24.7(1)(2)(3), on page 5 under Section 3 of HB 611. Also included in this repeal are disability income insurance proceeds and long term care insurance benefits.

When consumers purchased these kinds of insurance policies, they were of the understanding that the proceeds would be tax free. Consumers pay premiums on these kinds of insurance policies for many years – many for decades -- and to change the law by repealing the exemptions is not fair.

Consumers buy these kind of insurance policies to take responsibility for their lives, their health and care. It's these kinds of insurance policies that keep our citizens out of the welfare entitlement programs.

We ask that you continue to allow the exemptions for these insurance policies.

Mahalo for allowing us to share our views.

Cynthia Hayakawa, Executive Director

TESTIMONY OF WILLIAM G. MEYER, III

HB611

HEARING DATE/TIME: February 26, 2009
3:00 p.m. in Conference Room 308

TO: Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
(Fax No. 586-6001)

RE: Testimony in STRONG OPPOSITION to HB611

Aloha Chair, Vice Chair, and Members of the Committee:

My name is William G. Meyer, III. I am a Honolulu attorney and my practice is limited to intellectual property matters, including entertainment law. I represent both national and local stakeholders in Hawaii's recording industry, television and motion picture industry, and digital media and internet sectors. My practice area includes advising entertainment companies regarding the availability of entertainment industry related tax incentives, including the incentives currently available pursuant to Act 221/215 and Act 88.

Thank you for the opportunity to testify on this bill. I strongly oppose HB611.

Among other things, HB611 seeks to repeal Act 88 which provides a 15 - 20% production tax credit for the production, in Hawaii, of motion pictures, television programs, digital media products and music videos. According to data compiled by the Hawaii Film Office, since the passage of Act 221/215 and Act 88, annual production expenditures in the State of Hawaii for these activities have more than doubled. In addition, although Hawaii has not seen fit to commission a study on the subject, a recent study prepared by Ernst and Young on behalf of the New Mexico State Film Office dated January 2009 concluded that for every $1 the state "spent" on production tax credits the government (state and local taxing authorities) collected $1.5 in tax revenues - a $0.50 net gain! Is there a better investment the state could make? I don't think so. Act 88 creates jobs, provides employment opportunities for our creative community, diversifies our economy, promotes the tourism industry and, according to the January 2009 study by Ernst and Young, yields a significant net revenue benefit to local taxing authorities.

With all due respect, I simply cannot understand why this body would seriously consider this measure.

Please do not throw your creative community under the bus in a misguided attempt to save the State money. Your creative community not only enhances the quality of life for all residents in the State of Hawaii, it enriches the tourist experience which is so vital to our local economy.

Respectfully submitted,

William G. Meyer, III
wmeyer@dwyerlaw.com
Telephone: 534-4412

HAWAII FILM & ENTERTAINMENT BOARD

Brenda Ching, Chair
Screen Actors Guild

Chris Conybeare, Esq.

Donovan Ahuna
I.A.T.S.E., Local 665

Benita Brazier
Maui Film Commission

Walea Constantinau
Honolulu Film Office

Donne Dawson
Hawaii Film Office

Jeanne Ishikawa
Teamsters, Local 996

Leroy Jenkins
H.I.F.A.

John Mason
Big Island Film Office

Brien Matson
A.F.M., Local 677

Stephanie Spangler
F.A.V.A.H.

Art Umezu
Kauai Film Commission

Randall Young
I.B.E.W., Local 1260

HOUSE COMMITTEE ON FINANCE

February 26, 2009 – 3:00 pm
State Capitol, Conference Room 308

RE: 611 - Relating to Taxation

Dear Chair Oshiro, Vice Chair Lee and members of the committee:

The Hawaii Film and Entertainment Board, whose members include all of Hawaii's film unions, film commissions and leading industry associations, thank the legislature for its strong support of Hawaii's film industry but **oppose the portion of HB 611** that would make changes to Act 88, referenced as Section 235-17.

We respect the tough job at hand and to assist with your decision-making, submit that Act 88 is a part of the **SOLUTION** and not a part of the problem because:

- Act 88 is a **fiscally responsible bill** that is **NOT A DRAIN** on the general fund
- Act 88, **has GENERATED REVENUES** for the state while providing significant economic stimulus (over $11M in calendar year 2007).

In addition, Act 88:

- **creates jobs**
- **supports visitor industry** infrastructure
- provided millions of dollars of **free advertising** for Hawaii

The credit applies statewide and has generated **over $300M of direct spending** into all four of Hawaii counties at **NO EXTRA COST TO THE STATE**. Attached please find a summary of the numbers compiled with the assistance of economist, Dr. William Boyd, that show that **over $11M in revenues was generated, after the payout of the credit for calendar year 2007.**

The HFEB board, and over 300 members of its various entities, respectfully request that Act 88 **remain as written** so it can continue to be a significant economic stimulus for Hawaii that generates revenues at no cost to the state.

Sincerely,
Brenda Ching
Chair

Attachments: Act 88 Petition; 2007 Act 88 ROI spreadsheet

c/o SCREEN ACTORS GUILD • 949 Kapiolani Blvd., Suite 105 • Honolulu, HI 96814 • PH: (808) 596-0388 • FAX: (800) 305-8146

2007 Economic Impact estimates - Act 88 and non-Act 88 Scenario

Oahu split calculated at	50%		
NI split calculated at	50%		
Oahu cost	15%	x estimated split	$11,592,208
NI cost	20%	x estimated split	$15,456,277
	$77,281,387	Oahu split	
	$77,281,387	NI split	
		Total Act 88 cost:	$27,048,486
		Indirect Impact (Production Spend x multiplier)	$294,997,152
		Indirect revenues generated =	$66,317,189
		Indirect revenues x Revenue calculation =	$8,621,235
		total direct and indirect impact	$303,618,387
		multiplier	1.29
Annual Production Spend	$228,679,963		
Act 88 Spend	$154,562,775	% of Act 88 total	67.589120%
non-Act 88 Spend	$74,117,188	% of non-Act 88 total	32.410880%
			100.000000%
Annual Tax Revenues	$29,728,395	Revenue calculation @	13.00%
Rebate Cost	$27,048,486	Oahu and NI figures	
subtotal (cost to state)	$2,679,910	(net gain/net loss)	
Indirect Impact	$8,621,235		
+ cost to state	$2,679,910		
TOTAL	**$11,301,144**	**(net gain/net loss)**	

Legend- base figures:
Blue = input figures
Green = formula figures
Black = formula figures with positive results
(Red) = formula figures with negative results

Total figures
Black = net gain to state
(Red) = net loss to state

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Abrosius	Gregg	production manager	Honolulu
Aguinaldo	Arlene	production assistant	Ewa Beach
Aguinaldo	Luke	video editor	Waipahu
Ahuna	Harold	driver	Waimanalo
Akamine	Riley	driver	Kapolei
Aleck	Nancy	non-profit director	Honolulu
Amaral	William	driver	Kailua
Anbe	Brent	film industry development spec.	Honolulu
Andres	Sally	accounts receivable clerk	Honolulu
Anno	Yoshitaka	vice president	Honolulu
Anthony	Benjamin	grip	Honolulu
Archibald	Jo	copywriter	Honolulu
Asato	Charlene	advertising traffic manager	Honolulu
Asiata	Philip	driver	Kaneohe
Atkins	Paul	director of photography	Honolulu
Atkins	Grace	producer / sound mixer	Honolulu
Bacon	Michael	sound mixer	Mililani
Beercka	Meleana	hotel worker	Kahuku
Bellerose	Ann	sales coordinator	Kahuku
Benson	Mark	driver	Pearl City
Beteta	Jonathan	hotel worker	Laie
Blake-Scott	Aren	make up artist	Koloa
Blue	Maria	activities manager	Waianae
Boyd	Lawrence	associate specialist	Honolulu
Boyle	Bob	hotel worker	Kahuku
Boynton	Susan	photographer	Kilauea
Brazier	Benita	film commissioner	Wailuku
Brenner	Renee	accounting	Kahuku
Bresson	John	driver	Honolulu
Brewerton	Katie	project manager	Honolulu
Britos	Peter	professor / writer / producer	Honolulu
Cabalar Jr	M.	driver	Kapolei
Cadiz	Phillip	hotel worker	Haleiwa
Camenson	Anna	driver	Kaneohe
Cannon	Glenn	president, SAG Hawaii branch	Honolulu
Cappos	Constance	costume designer	Keaau
Carrillo	Rubin	cinematographer	Honolulu
Cassity	Clifton	property manager	Kaaawa
Castro	Daren	senior art director	Honolulu
Ching	Brenda	executive director	Honolulu
Chock	Nilda	Nat'l business agent, AFC-CIO	Honolulu
Cho-Moody	Sylvian	background talent	Honolulu
Christmas	Amy	director of food and beverage - hotel	Kapaa
Chun	Brycen	production assistant	Honolulu
Chunn	Johanna		Honolulu
Clevelend	Katherine	actor	Kailua
Coad	Michael	VP, Admin, cement company	Kaneohe
Coen	Shawn	welder	Honolulu
Cole	Jessica	talent coordinator	Kula

Cole	Josh	stand-in / extra	Honolulu
Collado	Leslene	administrative assistant	Honolulu
Confair-Sensano	Renee	production supervisor	Waialua
Constantinau	Walea	film commissioner	Kaneohe
Cook	Jennifer	film school student	Honolulu
Cooper	Richard	assistant director	Kapaa
Costa	Dwayne	driver	Waianae
Cotton	Liz	sales executive	Honolulu
Coyne	Andrew	art director	Keaau
Crowell	Oliver	consultant	Honolulu
Dacosin	Darren	driver	Kaneohe
Dahl	Jon	transportation captain	Honolulu
Davey	Jacqueline		Honolulu
Davis	Keith	driver	Mililani
Dawson	Donne	film commissioner	Honolulu
de la Diosa	Christina	actor	Honolulu
deJung	Vanya	prop master / set dresser	Honolulu
Dicion	Joann	conference service manager	Waialua
Dinion	Steve	musician	Honolulu
Domingo	Gregory	safety / security officer	Kahuku
Doversola	Margaret	casting director	Honolulu
Dowell	Joe	driver	Kaneohe
Downey	Miriam	union business agent	Kaneohe
Duarte	Jesse	driver	Honolulu
Duarte	Wiliam	driver	Kaneohe
Ekepati	Niko	driver	Ewa Beach
Elmore	Gerard	director	Kapolei
Eugenio	Lynnette	advertising executive	Honolulu
Faumuina	Putoto	driver	Honolulu
Ferrer	Leanne	program manager	Honolulu
Fewell	Richard	graphic artist	Mililani
Fishburn	Anna	casting director	Honolulu
Flores	Serena	assistant production coordinator	Miliani
Florez	Connie	director / producer	Honolulu
Fontaine	Renato	grip	Kaneohe
Forsberg	Dana	videographer	Honolulu
Freeborn	Luke	art director	Honolulu
Fukuda	Sheila		Pearl City
Fukushima	Dirk	producer	Honolulu
Galindez	Richardo	producer	Kailua
Garcia	Vincent	mechanic - heavy equipment	Kapolei
Gillett	Kathryn	graphic designer	Honolulu
Goda	Brandon	marketing manager	Honolulu
Golstein	Mathew	actor	Kaneohe
Gomes	Troy	producer/editor	Ewa Beach
Gomes	Dustin	assist location manager	Kailua
Gomes	Dexter	production coordinator	Honolulu
Gonzalez	Elias	restaurant managar	Hauula
Griffiths	John	driver	Honolulu

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Groden	Richard	driver	Kailua
Gross	Thomas	hotel worker	Honolulu
Hall	Abraham		Honolulu
Hamlett	Kelly	hotel worker	Haleiwa
Hankins	Dana	producer	Honolulu
Hanley	Lauren	production assistant	Honolulu
Hanley	Tom	art director	Honolulu
Hatchell	Linda	administrative assistant	Kaneohe
Haviland	Wes	producer / writer / actor	Hnolulu
Hazelwood	Jennifer	actress	Honolulu
Hernandez	William	driver	Kailua
Higa	Michael	production coordinator	Honolulu
Higuchi	Lisa	writer / producer / director	Kaneohe
Hisamoto	John	producer	Honolulu
Hite	Anthony	security officer	Kahuku
Holmbeck	Konari	sales manager	Kahuku
Hooper	Sarah	production manager	Honolulu
Horowitz	Susan	director	Honolulu
Hugar	Tony	audio technician, business owner	Honolulu
Igari	Hirohide	cameraman/production coordinator	Honolulu
Inake	Lauren	associate producer	Waipahu
Inouye	Kevin	administrative assistant	Honolulu
Ishikawa	Jeanne	business agent, local 996	Wahiawa
James	Katherine	costume designer	Kailua
Jenkins	Leroy	producer / company president	Honolulu
Johnson	Sandra	producer	Honolulu
Johnson	Wesley	hotel worker	Laie
Johnson	Jill	business agent, local 996	Kailua
Johnston	Anthony	gaffer	Mountain View
Joseph	Genie	producer	Honolulu
Jung	Korina	office worker	Honolulu
Jung Jr	Ted	executive producer	Honolulu
Kaiwi	Alva	foreman	Waianae
Kanda	Scott	photographer / editor	Honolulu
Kaneshiro	Darrin	producer	Honolulu
Kaneshiro	Arryl	project specialist - land management	Koloa
Kanoa	Victor	driver	Honolulu
Katinszky	Jenni	producer	Honolulu
Kato	Stephan	producer	Honolulu
Kauwalu	Cherilyn	executive assistant	Waianae
Kawakami	Chad	driver	Honolulu
Keamohuli	William	driver	Honolulu
Kekoa	Janice	creative department manager	Honolulu
Kelii	Thomas	electrician	Mountain View
Kelley	Carol	set decorator	Honolulu
Kelly	Michael	production manager	Honolulu
Keomaka	Stanley	operator	Waipahu
Kim	Susie		Honolulu
Kim	Matt	welder	Kaneohe

Kiyatu	Bliss	account executive	Honolulu
Knowles	Myles	videographer	Kihei
Ko	Helen	advertising executive	Honolulu
Kowal	Robert	sales executive	Honolulu
Kozuma	Ronan	union president	Honolulu
Kribell	Jan	club manager	Haleiwa
Kruse	Emil	pipe repairer	Kaneohe
Kunihara	Duke	actor	Honolulu
Kusano	Hideyo	film school student	Honolulu
Kwak	Charlene	secretary	Honolulu
LaBerge	Nicole	public relations account exec	Mililani
Laguana	Edward	driver	Ewa Beach
Lam Yuen	Sharyl	secretary	Kapaa
Larkin	Sue	casting director	Waianae
Lau	Jann	travel specialist	Honolulu
Lau	Henry		Waimanalo
Lee	Keoni	producer	Mililani
Lee	Lance	driver	Honolulu
Lehman	Sheldon	prop master / grip	Kurtistown
Lehr	Randal	general manager - hotel	Makaha
Levine	Liam	actor	Honolulu
Levy	James	key grip	Honolulu
Lewis	Craig	set dressing shopper	Kaneohe
Lewis	John	business owner	Honolulu
Libby	Kenneth	cinematographer	Kaneohe
Lindsey	Christopher	security officer	Hauula
Lo	Terri	account executive	Kaneohe
Long	Melanie	broker	Honolulu
Long	Charles	security firm - owner	Honolulu
Loo	Earl	travel agency	Honolulu
Lopez	Scott	film school student	Honolulu
Lorraine	Kay	1st assistant director	Honolulu
Lum	Jeff	sales	Honolulu
Lum	Eugene	driver	Aiea
Maduli	Janet	entertainment / talent booker	Honolulu
Maekawa	Mike	location coordinator	Honolulu
Mago	Peter	equipment sales	Kaneohe
Maltby	Joyce	actor	Kailua
Maness	Jennifer	production coordinator	Honolulu
Martin	Joshua	account executive	Honolulu
Martinez	Charles		Waimanalo
Mastro	Mark	account supervisor	Honolulu
Matson	Brien	business agent, local 677	Honolulu
Matthews	William	set designer	Honolulu
Mattos	Wendell	senior editor	Aiea
May	Michael	producer	Honolulu
Medeiros	Joseph	driver	Honolulu
Mick	Marilyn	location manager	Honolulu
Millner	Traci	marketing	Honolulu

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Miranda	Melvin	driver	Kamuela
Misty	Abalos	receptionist	Wahiawa
Mitchell	Frank	craft service	Honolulu
Mitchell	Lisa	production coordinator	Honolulu
Mito	Gerald	driver	Kaneohe
Moniz	Ryan	lifeguard / emt	Honolulu
Moody	Racer	stand-in	Honolulu
Moody	Fuzzy	stuntman	Honolulu
Moriguchi	Alison		Koloa
Morita	Masahiko	production coordinator	Honolulu
Moriyama	Miki	tourism company worker	Honolulu
Mossman	Delphine	receptionist	Honolulu
Mowry	William	rancher	Hanalei
Murphy	K.	executive assistant	Kaneohe
Nagai	Masatoshi	coordinator	Honolulu
Nagata	Wade	driver	Honolulu
Nakamoto	Nicle	accounting clerk	Honolulu
Nakamura	Nao	production coordinator	Honolulu
Newale	Charles	driver	Kaneohe
Nikolaidas	Nik	owner, computer recycling company	Kaneohe
Nishitani	Koki	production coordinator	Honolulu
Nitta	Mark	producer / director / editor	Waipahu
Nomura	Evan	account executive	Honolulu
Nordlum	John	stuntman	Waianae
Norton	Shanna	set dresser / buyer	Honolulu
Odeon	Juan	film school student	Honolulu
Olague	Robert	executive producer	Honolulu
Olivares	Doug	camera operator	Honolulu
Olson	Naomi	camera assistant	Honolulu
Omori	Lyssa		Honolulu
Oney	Thomas	acounting clerk	Honolulu
Ongay	Fiona	director of guest services (hotel)	Wahiawa
Osaki	Richard	senior graphic artist	Honolulu
Oshiro	Manami	officer manager	Honolulu
Ozaki	Yumi	director	Honolulu
Pait	Sharon	executive assistant	Hanalei
Pallett	Jim	actor	Honolulu
Pang Kee	Andrew	driver	Honolulu
Paongo	Elena	operations	Waianae
Pascua	Lono	a/c contractor	Lawai
Pascua	Bruce	driver	Wahiawa
Patterson	Patricia	driver	Honolulu
Paty	Randolph	assist location manager	Waialua
Pearson	Wendy	actor	Honolulu
Pedrina	Charlie	graphic designer	Pearl City
Perry	Gordon	music supervisor	Kilauea
Pierce	Don	restaurant managar	Honolulu
Pike	Rebecca	visitor publications editor	Honolulu
Powell	William	production accountant	Honolulu

Pyburn	Gail	location scout	Papaikou
Ramos	Sunny	driver	Waianae
Ranches	Juju	senior art director	Honolulu
Ranion	Vidal	union trustee	Mililani
Rego Jr	Renny	driver	Honolulu
Reid	Carolyn	travel consultant	Honolulu
Relosimon	Judy	assistant account exec	Honolulu
Reynolds	Sohbi	location manager	Honolulu
Riverio	Mike	producer	Aiea
Riverio	Claireq	musician	Aiea
Rodrigues	John	driver	Honolulu
Rodrigues, Jr	Richard	foundation program manager	Honolulu
Rogers	Scott	acting coach	Honolulu
Romualdo	Angelina	hotel worker	Kahuku
Rosen	David	director	Kailua
Ruff	Sean	hotel worker	Kahuku
Russell	George	production coordinator	Honolulu
Ryan	Tim	executive editor	Honolulu
Rydell	Sheila	director, tv studio operations	Honolulu
Sandblom	Marissa	business vp	Waimea
Sasaki	Deborah	print prodution	Honolulu
Sato	Linda	actor	Wahiawa
Sato	Hidemi	graphic designer	Honolulu
Sato	David	camera operator / dp	Honolulu
Schopler	Edward	programmer	Kailua
Schwartz	Cathy	production coordinator	Honolulu
Sears	Leo	producer / film fesitival director	Waikoloa
Shimabukuro	Sheryl	print prodution	Honolulu
Shimabukuro	Shawn	project manager	Waimea
Shirakawa-Baek	Takahiko	travel agent	Honolulu
Silberstein	Morris	location coordinator	Honolulu
Silva	Pat	union agent	Honolulu
Soares	Robert	production director	Honolulu
Sofa	Chadwick	driver	Waianae
Sonada	Harry	driver	Honolulu
Souza	Jonah	route supervisor	Kaneohe
Spangler	Stephanie	location manager	Honolulu
Spangler	Stuart	location manager	Honolulu
Spargur	Patrick	director	Honolulu
Stern	Herman	actor	Honolulu
Sua	Lata	risk manager	Kahuku
Suapaia	Jason	executive producer	Honolulu
Sudipro	Piku	senior copywriter	Honolulu
Sumait	Jeanne	executive assistant	Kahuku
Sunborg	Karen	accountant	Honolulu
Sundby	Sarah	hotel worker	Kahuku
Tang	Jennifer	advertising agency exec	Honolulu
Tanigawa	Stacie	production artist	Honolulu
Tavares	Susan	waste management	Honolulu

PETITION IN OPPOSITION TO PROPOSED CHANGES TO ACT 88 (Section 235-17)

Revision date: 2/25/09 11:29 AM

Tayomori	Kyle	driver	Honolulu
Teixeira	Alexander	driver	Honolulu
Teramame	Marlene	account supervisor	Honolulu
Thornton	Michael	film distributor	Honolulu
Tillson	Angela	location manager	Kapaa
Tobaru	Peggy	database operator	Kaneohe
Trask-Batif	Lakea	writer / producer	Honolulu
Tresler	Michael	senior vp, land management	Lihue
Triplett	Jim	location manager	Honolulu
Tupai	Pisa	operations manager - security co.	Honolulu
Tupai	Mate	supervisor - security co.	Honolulu
Turner	Jennifer	rental coordinator - tent rentals	Haleiwa
Uy	Tammy	creative director	Kailua
Vendiola	Amanda	hotel worker	Kahuku
Vendiola	Melvin	foreman	Ewa Beach
Vera	Marisa	hotel worker	Wahiawa
Vidal	Aaron		Ewa Beach
Visser	Thomas	sound department	Honolulu
Wagner	Michael	art director	Honolulu
Wagner	Brett	director	Honolulu
Wallace	Keoki	hotel worker	Hauula
Wilkins	Michael	hotel worker	Waialua
Williams	Jennifer	producer	Aiea
Wiss	Larry	actor	Honolulu
Wong	Susan	sales manager - hotel	Honolulu
Wong	Ben	producer	Kaneohe
Wray	John	broadcast manager	Honolulu
Yadao	Linda	producer	Waialua
Yasufuku	Miki	assist location manager	Honolulu
Yasutake	Michael	cinematographer / editor	Honolulu
Yoshikawa	Clinton	driver	Honolulu
Yotsuya	Stacy	account executive	Honolulu
You	Justin	project coordinator	Pearl City
Yu	Gary-Lee	security officer	Hauula
Yu	Vernon	attorney	Honolulu
Zeng	Minyi	information tech worker	Honolulu
Ziegler	Daniel	writer / director	Honolulu
Zucker	Robyn	costumer	Haleiwa

House of Representatives
The Twenty-Fifth Legislature
Regular Session 2009

Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

Thursday, February 26, 2009 – 3:00 pm
State Capitol, Conference Room 308

RE: HB 611 - Relating to Taxation

Dear Chair Oshiro, Vice Chair Lee and members of the committee:

The Screen Actors Guild Hawaii Branch strongly opposes HB 611 that would amend Act 88, referred to in the bill as Section 235-17 (Motion Picture, Digital Media and Film Production Income Tax Credit).

Act 88 is a fiscally responsible bill that has not been a drain on the State's economy. Act 88 has created jobs, supports tourism and other industries, and provides priceless free advertising for the State.

We ask that you carefully weigh the above factors and respectfully request that you make no changes to Act 88.

Thank you for the opportunity to submit testimony.

Glenn Cannon, President
Brenda Ching, Executive Director

SCREEN ACTORS GUILD
949 KAPIOLANI BLVD., SUITE 105, HONOLULU, HI 96814 ★ Tel. 808.596.0388 ★ Fax 800.305.8146
www.sag.org
Branch of Associated Actors and Artistes of America / AFL-CIO • Affiliate of International Federation of Actors

AMERICAN COUNCIL OF LIFE INSURERS
TESTIMONY IN OPPOSTION TO HB 611, RELATING TO TAXATION

February 26, 2009

Via e mail: fintestimony@capitol.hawaii.gov
Honorable Marcus R. Oshiro, Chair
Committee on Finance
House of Representatives
Hawaii State Capital, Conference Room 308
415 S. Beretania Street
Honolulu, Hawaii 96813

Re: HB 611, Relating to Taxation

Dear Chair Oshiro and Members of the Committee:

Thank you for the opportunity to testify in opposition to HB 611, relating to taxation.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association whose three hundred forty (340) member company's account for 94% of the life insurance premiums and 94% of the annuity considerations in the United States among legal reserve life insurance companies. ACLI member company assets account for 93% of legal reserve company total assets. Two hundred fifty-three (253) ACLI member companies currently do business in the State of Hawaii.

In its current form, Section 2 of the Bill directs the Department of Taxation to perform an evaluation of general excise tax credits and tax exemptions and to submit its report to the Legislature. In the case of Section 237-24 which provides exemptions relating to life insurance death benefits, disability insurance payments and amounts received under life insurance, endowment or annuity contracts, other than the death benefit payable under a life insurance policy ("Insurance Proceeds"), the report is to be submitted to the Legislature 20 days prior to the 2011 Legislative Session.

Section 2 of the bill repeals the exemption on Insurance Proceeds on December 31, 2011.

Taxing these proceeds is unprecedented. No state in the union taxes Insurance Proceeds; nor does the United States Government.

ACLI generally believes that as a matter of public policy, the State of Hawaii should encourage individuals to provide for their own financial security and the financial security of their families and others who are dependent upon them for their financial support and well being. Life and disability insurance and annuities which provide an income that you cannot outlive, provide individuals with this protection.

If a family is unable to provide for their own protection and support in the event of a loved one's death, sickness or injury, the State will need to spend its scarce resources for these purposes.

For the foregoing reasons, ACLI strongly opposes HB 611 and requests that this Committee defer passage of this bill. Again, thank you for the opportunity to testify in opposition to HB 611.

Sincerely yours,

CHAR HAMILTON
CAMPBELL & YOSHIDA
Attorneys At Law, A Law Corporation

By: ______________________

OREN T. CHIKAMOTO
ochikamoto@chctlaw.com
Direct: 808.524.9630

OTC:skuw

cc Joann Waiters, Esq.

HAWAI'I BioEnergy

HB 611

RELATING TO TAXATION

JOEL K. MATSUNAGA
CHIEF OPERATING OFFICER & EXECUTIVE VP
HAWAII BIOENERGY

FEBRUARY 26, 2009

Chair Oshiro and Members of the House Finance Committee:

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy on HB 611, "Relating to Taxation".

SUMMARY

Among other things, this bill would repeal various incentives for programs that either currently or could significantly benefit the residents of Hawaii. Hawaii BioEnergy ("HBE") opposes the repeal, effective December 31, 2013, of the Ethanol Facility Tax Credit (Section 235-110.3) for the following reason:

1. HBE is currently evaluating the feasibility of investing in a sustainable, integrated ethanol production facility in Hawaii that would utilize 100% locally grown feedstock. Repeal of the Ethanol Facility Tax Credit would either significantly delay or shut down any attempts by HBE to produce ethanol in Hawaii.

RENEWABLE ENERGY PROJECTS IN HAWAII

Hawaii BioEnergy is a local company with a mission to help Hawaii toward a sustainable energy future through the production of biofuels from locally grown feedstocks. Among its partners are three of the larger land owners in Hawaii who control in total over 430,000 acres of land. HBE and its partners would like to use significant portions of their land to address Hawaii's energy needs. Since its inception in 2006, HBE has been researching various biofuels alternatives to clearly evaluate each biofuel's relative suitability and sustainability based on Hawaii's natural resource base, climate, market and infrastructure.

One of those biofuel alternatives which HBE is pursuing is the production of jet fuel and other oil derivatives from micro-algae. Preparations have been underway for many months and facilities to conduct on-site research and development are expected to be in place by summer. Algae not only offers Hawaii the benefit of developing a locally produced fuel source, but it also benefits the agriculture industry by providing proteins for animal feed, fertilizers and other locally produced products.

HBE is also currently considering plans to develop locally produced ethanol from sugar cane, sweet sorghum, or other crops that can be processed into ethanol. The production of ethanol in Hawaii will provide its residents with better energy security, create a significant number of jobs, reduce the burning of fossil fuels, and retain dollars in the State's economy rather than sending them overseas.

REPEAL OF INCENTIVES WILL JEOPARDIZE RENEWABLE ENERGY PROJECTS

Repeal of the Ethanol Facility Tax Credit would likely cause HBE to abandon any consideration of developing the local production of ethanol in Hawaii. Or at a minimum, the repeal would significantly delay any plans to go forward with ethanol production in the State. This is because the production of ethanol in Hawaii would need to compete against ethanol produced and available on the world markets where land, labor and other costs, including adherence to environmental and other regulations, are lower. The current Ethanol Facility Tax Credit helps to offset those cost disparities to the extent that, under the right conditions, HBE would be willing to pursue producing ethanol locally. Further, the credit helps to offset a portion of the risk that first-movers must assume in the establishment of a new industry. Without that credit it would be very difficult, if not impossible, to justify investment in ethanol production facilities in Hawaii.

Without the credit, it is possible that HBE's projects, as well as the benefits they will provide to Hawaii's residents, will be delayed. Based on an independent analysis commissioned by HBE, a large-scale ethanol facility could provide up to 1,400 new jobs and over $115 million in added value in the State. Those benefits could be in jeopardy should the Ethanol Facility Tax Credit be repealed.

PROPOSED AMENDMENTS TO HB 611

HBE recognizes the significant budget issues that are before this Legislature and the need to look at all alternatives, including the nature and amount of the different tax credits and incentives. HBE believes that the Ethanol Facility Tax Credit should not be repealed and offers the following for your consideration:

1. In the alternative, rather than repealing the Ethanol Facility Tax Credit which would adversely impact potential ethanol projects in Hawaii, HBE asks the Legislature to consider "suspending" the credit for a limited period of time and have it reinstated in full effective June 30, 2012. This Legislature can continue to monitor the progress in the development of ethanol production and if warranted, can extend the suspension further in subsequent sessions. However, allowing for a June 30, 2012 lifting of the suspension will allow potential projects to have a date set in the timeframe necessary to obtain the necessary financing for the projects. The farther out the date for the

suspension to be lifted, the more likely projects will not be able to obtain the financing necessary.

2. HBE supports HB 611's provision to evaluate the identified tax credits and exemptions and to have results of the review presented to the Legislature. HBE requests that it and other stakeholders in industries affected by the identified tax credits and exemptions be allowed to participate in the proposed evaluation-recommendation process.

HBE would be pleased to provide bill language for its suggested amendments or to work with the Finance Committee staff in drafting language amendments.

CONCLUSION

HBE is moving forward with projects that will help to address Hawaii's energy future. Hawaii residents will benefit from:

- Greater energy security from the displacement of fuel imports;
- A cleaner environment from the expansion of sustainable agriculture, the sequestration of CO2 and harmful green house gas emissions, and reduction of fossil fuel consumption;
- A stronger economy through local job creation and investment in the local economy.

However, the repeal of the Ethanol Facility Tax Credit will jeopardize those benefits by either significantly delaying or terminating projects under consideration.

Based on the aforementioned, Hawai`i BioEnergy respectfully requests your support in not repealing the Ethanol Facility Tax Credit or, in the alternative, suspending it to become reinstated in full, effective June 30, 2012 and to favorably consider its suggested amendments.

Thank you for the opportunity to testify.

Housing Hawaii

Advocating Creating Maintaining Affordable Housing

Board of Directors

President
Kevin Carney, EAH Housing

Vice-President
Rene Berthiaume, TransPacific Housing Development Corporation

***Secretary** – Denise Boswell, Rural Community Assistance Corporation*

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***Director** - Ralph Mesick, Bank of Hawaii*

***Director** - Laree Purdy, Abigail Affordable Housing and Facilitated Home Ownership*

***Director** – Gregg Robertson, Robertson & Company, LLC*

***Director** – Brian Takahashi, Architects Hawaii*

***Director** – Kirk Caldwell, City and County of Honolulu*

***Director** – Kamaile Sombelon, Lokahi Pacific*

Executive Director
Nani Medeiros

February 26, 2009

The Honorable Marcus Oshiro, Chair
House Committee on Finance
Hawaii State Capitol, Room 308
Honolulu, HI 96813

Dear Chair Oshiro and Members:

RE: HB 611, RELATING TO TAXATION

I am Nani Medeiros, Executive Director of Housing Hawaii, testifying on House Bill 611, Relating to Taxation. This bill repeals the Low Income Housing Tax Credit (LIHTC) provisions and the General Excise Tax ("GET") Exemption for Certified or Approved Housing Projects.

Housing Hawaii opposes this bill.

These programs are critical to the successful development of affordable housing statewide. All LIHTC-financed rental units are targeted at low-income seniors and families earning 60 percent or less of the area median income. Without the LIHTCs, it is unlikely that such projects could be developed given the high cost of land and construction. The GET exemption for certified affordable housing projects was to assure the economic feasibility in the development of a housing project which will encourage and enable the production of as many lower cost housing units as possible. The GET exemption has been a successful incentive for the development and preservation of affordable housing, and should be allowed to continue.

Thank you for the opportunity to testify.

Nani Medeiros
Executive Director

Housing Hawaii, 841 Bishop Street, Suite 2208, Honolulu, HI 96813
Phone: 808-469-7774
Email: housinghawaii@hawaii.rr.com
www.housinghawaii.org

Hawaii Pacific Health

55 Merchant Street • Honolulu, Hawaii 96813 • hawaiipacifichealth.org

Thursday, February 16 - 2009 – 3:00pm
Conference Room 308
Agenda #6

The House Committee on Finance

To: Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice-Chair

From: Virginia Pressler, MD, MBA
Executive Vice President

Re: Testimony Opposing HB 611, Relating to Taxation

My name is Virginia Pressler, Executive Vice President for Hawaii Pacific Health (HPH). For more than a century, families in Hawaii and the Pacific Region have relied on the hospitals, clinics, physicians and staff of Hawaii Pacific Health as trusted healthcare providers. Our non-profit integrated healthcare system is the state's largest healthcare provider and is committed to improving the health and well-being of the people of Hawaii and the Pacific Region through its four hospitals -- Kapi`olani Medical Center for Women & Children, Kapiolani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital -- 18 outpatient centers and a team of 1,100 physicians on the islands of Oahu, Kauai and Lanai.

While we certainly understand the current State budget realities, **we oppose HB 611** which proposes a study to establish automatic sunset dates for GET tax exemptions which would affect hospitals (Section 237-23, HRS). Establishing steps to authorize a **repeal date, even if not immediately imposed, will have adverse impacts on our credit rating and ability to obtain financing at reasonable cost.**

Non profit healthcare hospitals provide a significant public benefit to the community by providing care to patients regardless of their ability to pay. This includes patients covered by government health plans – such as Medicare and Medicaid/QUEST – whose payments continue to be below cost of providing care. Hawaii Pacific Health provides care for thirty six percent (36%) of the total state Medicaid/QUEST discharges and loses tens of millions of dollars each year in order to provide care for these patients because of the inadequate reimbursement rates provided.

Hawaii's overall hospital payment percentage (93% of cost) is already among the lowest of all states. On average, Hawaii hospitals lose 20 cents on every $1.00 spent to provide care for a Med-Quest patient and 21 cents on every Medicare patient. Non profit hospitals continue to subsidize this shortfall between what the State is willing to pay for Medicaid patients and the true costs of delivering quality healthcare. Repeal of the GE tax exemption would exacerbate the predicament hospitals face and create an additional financial burden on institutions like us, who are organized with a mission of serving a public good.

The GE tax exemption provides us with the financial resources to deliver on our mission of delivering quality healthcare to our patients. We urge you to consider the impact this bill will on the quality of healthcare provided to our community and hold this bill. Thank you for the opportunity to testify.

GOODSILL ANDERSON QUINN & STIFEL
A LIMITED LIABILITY LAW PARTNERSHIP LLP

OVERNMENT RELATIONS TEAM:
GARY M. SLOVIN
CHRISTOPHER G. PABLO
ANNE T. HORIUCHI
MIHOKO E. ITO

ALII PLACE, SUITE 1800 • 1099 ALAKEA STREET
HONOLULU, HAWAII 96813

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cpablo@goodsill.com
ahoriuchi @goodsill.com
meito@goodsill.com

MEMORANDUM

TO: Representative Marcus R. Oshiro
Chair, Committee on Finance
Hawaii State Capitol, Room 306

FROM: Gary M. Slovin

DATE: February 26, 2009

RE: H.B. No. 611 – Relating to Taxation
Hearing: Thursday, February 26, 2009 at 3:00 p.m., Room 308 (Agenda #6)

Dear Chair Oshiro and Members of the Committee on Finance:

I am Gary Slovin, testifying on behalf of Covanta Energy Group, the operator of the HPOWER waste-to-energy facility at Campbell Industry Park.

Covanta respectfully opposes paragraphs (6) and (7) of Section 3(c) of HB 611. These paragraphs would repeal tax exemptions that apply to the operations of the HPower waste–to-energy plant in Campbell Industrial Park. Much of the tax that would be imposed through the repeal of these sections would be borne by taxpayers of the City and County of Honolulu. Accordingly, the repeal of the exemptions would not increase the funds available to reduce the deficits being faced by both State and County governments.

Accordingly, we oppose the repeal of these sections.

Thank you very much for the opportunity to submit comments.

THE QUEEN'S MEDICAL CENTER

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 538-9011 • FAX: (808) 547-4646 • www.queens.org

Representative Marcus Oshiro, Chair
House Committee on Finance

Thursday, February 26, 2009; 3:00 PM
State Capitol, Conference Room 308

Re: HB 611 – RELATING TO TAXATION

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Rick Keene, Executive Vice President and Chief Financial Officer of The Queen's Health Systems (Queen's), testifying on House Bill 611, which requires the Department of Human Services and the Department of Taxation to evaluate certain tax credits and tax exemptions and report to legislature; provides automatic repeal of the tax credits and tax exemptions; and provides a penalty for excessive amounts filed for tax refunds and credits. **Queen's is opposed to the repeal of the general excise tax exemption for nonprofit organizations and hospitals and notes that a review of the current general excise tax exemption is unnecessary.**

The current tax exemption does not serve to increase hospitals' profits; rather, it defrays significant losses and allows for continued support of community programs, non-core services, and charity care. According to the Healthcare Association of Hawaii, local hospitals incurred $141 million in uncollected payments in 2008 resulting from bad debt and charity care. Queen's contributes to the well-being of Hawaii by giving back to the community more than $40 million annually, including costs associated with health care services, education, and uncompensated care.

We would also note that credit rating agencies take into consideration legislation that will impact financial performance. This could lower the credit ratings of tax-exempt hospitals and lead to increased cost for debt financing. Such increased costs would make it more challenging for nonprofit hospitals to continue some of its community benefit programs, which could negatively impact the community's access to health care.

The new IRS form 990, Schedule H, will provide information to the Legislature and public at large regarding tax-exempt hospitals' delivery of charity care, community benefit, bad debt, and Medicare and Medicaid shortfall, all of which demonstrates the contributions that tax-exempt hospitals make to the community.

Queen's wholly appreciates the Legislature's budgetary challenges in light of the State's economic outlook. However, we respectfully request that HB 611 be amended to eliminate reference to nonprofit organizations and hospitals.

Thank you for the opportunity to testify.

February 25, 2009

Aloha Chairman Oshiro, Vice-Chairwoman Lee, and esteemed Members of the Finance Committee,

My name is Ben London and I am the Executive Director of The Recording Academy's Pacific Northwest Chapter. We represent musicians, producers, songwriters, and other industry recording professionals, and are committed to protecting cultural conditions and improving policy respecting arts and culture. Hawaii is part of our Chapter, and as such we hold an annual Music and Technology conference each May in Honolulu for our Hawaiian members. It is in these capacities that I wish to express my opposition to Hawaii's proposed House Bills with this written testimony.

Each of these bills - HB 1743, HB 1746, HB 1583, HB 1588, HB 1589, and HB 611 - seeks to undo the support and investment in Hawaii's cultural and performing arts products deemed necessary in legislative Act 221/215 and Act 88. The availability of investment tax credits has resulted in the investment of more than $1.2 billion in over 300 Hawaiian companies. This is at a cost to the state of less than $450 million between 1999 and 2007. Act 221/215, together with the legislative investment of Act 88, has contributed to a doubling in film, television, and music video production since the passage of these Acts.

Not only the music, television, and film industries would suffer due to a loss of investments and tax incentives; Hawaii's nascent technology risks a loss of footing. Thousands of jobs would potentially vanish, services would be lost, and any tech-related revenue stream would flow with them.

In addition to eroding investor confidence, HB 1743 would deal a crippling blow directly to the recording artists and other creative individuals who comprise and contribute to the State of Hawaii's copyrightable performing arts products by repealing and eliminating their current income tax exclusion. Similarly, HB 1746 would have a detrimental effect on local artists and those involved in the production of television and film.

I can't over-emphasize the devastating impact HB 1743, HB 1746, HB 1583, HB 1588, HB 1589, and HB 611 would collectively have on all sectors of Hawaii's creative community. I respectfully ask that the State of Hawaii's House Finance Committee continue to facilitate the ability of individuals in the cultural industries to flourish by opposing these bills, not only for your constituency, but for those who visit Hawaii to experience your unique culture and musical heritage.

I respectfully ask you, as alternatives to the misguided House Bills listed above, that you consider HB 1451, HD1 which would continue Act 221/215 for another five years. An extension in investment tax credits would benefit Hawaii's cultural industries far more than their repeal. While this bill is subject to some technical corrections and clarification of language, I would like to express my support of HB 1451, HD1.

Sincerely,

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