



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
SENATE COMMITTEE ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY

Wednesday, January 27, 2010
1:15 p.m.
State Capitol, Conference Room 016

in consideration of
SB2299
RELATING TO CREATIVE MEDIA

Chair Fukunaga, Vice Chair Baker, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of this SB2299 which would establish a creative media task force to evaluate tax incentives and look for viable improvements and alternatives to further encourage and enable the development of projects and business within the creative media sector.

We offer these comments with regard to the make-up of the task force. While the measure allows for the Governor to appoint six members as recommended by the House and Senate, it should require at-the-least one of the members be from the Department of Business, Economic Development & Tourism (DBEDT) with representation from the Creative Industries Division and/or the High Technology Development Corporation. These are two active programs that operate economic development activities with sector companies and industry groups.

Also, there is good information being drawn from the sector via Act 206 2007 Hawaii State Legislature.

Requires a qualified high technology business (QHTB) that accepts an investment for which the High Technology Business Investment Tax Credit may be claimed to complete and file an information survey with the Department of Taxation before June 30 of each calendar year for which the credit may be claimed over the five-year credit schedule.

Includes in the survey the following information:

- *Identification of the QHTB's industry sector of qualified research set forth at HRS § 235-7.3;*
- *Investment credit data, including the amount of investment received;*
- *Revenue and expense data;*
- *Hawaii employment data;*
- *Any other additional information the Department of Taxation deems necessary.*

Requires the Department of Taxation to prepare a report to the Legislature summarizing the data obtained from the survey. The information is to be reported at the aggregate level to avoid disclosure of any specific QHTB's identity. Requires the Department to identify the QHTBs that benefit from the High Technology Business Investment Tax Credit. The report must be submitted by September 1 of each year.

Requires the Department of Taxation to study the information contained in the survey to discern the effectiveness and impact of the High Technology Business Investment Tax Credit. The report must be submitted to the Legislature by December 1 of each year. Requires the Department of Taxation to report to the Legislature aggregate information regarding all Form N-317s in the Department's possession for all previous years available.

This should provide the task force with the necessary information to provide additional evaluation on the return on these economic incentives.

Thank you for the opportunity to provide these comments.

TESTIMONY OF WILLIAM G. MEYER, III

HEARING DATE/TIME: Wednesday, January 27, 2010
1:15 p.m. in Conference Room 016

TO: Senate Committee on Economic Development and Technology

RE: Testimony in Support of SB 2299

Dear Chair, Vice-Chair and Committee Members:

My name is William G. Meyer, III. I am an intellectual property attorney who has been practicing law in Honolulu for over 30 years. I represent both locally based and national and international motion picture and television production companies and high technology businesses.

I support passage of SB 2299.

Respectfully submitted,

/s/ William G. Meyer, III

William G. Meyer, III

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SUBJECT: MISCELLANEOUS, Creative media task force

BILL NUMBER: SB 2299

INTRODUCED BY: Fukunaga, 5 Democrats and 1 Republican

BRIEF SUMMARY: Establishes a creative media task force attached to the office of the state auditor. The task force shall develop legislative initiatives to encourage and enable the development of projects and businesses in the motion picture, television, recoding, digital media, and related industries by: (1) evaluating the tax credit for high technology business investments under HRS section 235-110.9; and (2) develop legislation to improve the credit or establish alternatives to the credit. Requires the task force to submit its report to the 2011 legislative session.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The legislature by Act 178, SLH 1999, and Act 221, SLH 2001, enacted various tax incentives to encourage the development of high technology businesses in the state. The acts provided investment and research credits, as well as income exclusions, providing tax relief to high tech businesses and individuals associated with high tech businesses.

While the focus on high technology in the last few years is commendable, it fails to recognize that investments are made with the prospect that the venture will yield a profit. If the prospects for making a profit are absent, no amount of tax credit will attract investment. People do not invest to lose money. It should be remembered that until Hawaii's high cost of living can be addressed, all the tax incentives in the world will not make a difference in attracting new investment to Hawaii.

This proposal calls for an evaluation of the tax credits for the motion picture, television, recording, digital media, and related industries and propose improvements to the credits or an alternative to the tax incentives. Unfortunately, this proposal apparently seems to be oblivious to the dire condition of the state's financial condition. This proposal ignores the fact that programs and employees are on the chopping block as a result of declining revenues, every program from education to corrections to health services will be severely curtailed as a result. If the state doesn't have the money to put textbooks in the schools, it is questionable whether or not such subsidies of specific industries can be justified.

Again, lawmakers must ask themselves whether or not the continuance of the high tech tax incentives are appropriate in these dire financial times. Given that there are many other proposals in the legislature to hike tax rates for either the general excise or net income taxes, taxpayers will find the continuance of these targeted business tax credits frightening. Frightening because these very lawmakers are supposed to represent the best interest of their constituents. Raising taxes on constituents while still handing out money to favored groups will engender the ire of constituents and obviously is not in the best interest of taxpayers.

Digested 1/26/10

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From: mailinglist@capitol.hawaii.gov
To: [EDTTestimony](#)
Cc: rgalindez@islandfilmgroup.com
Subject: Testimony for SB2299 on 1/27/2010 1:15:00 PM
Date: Wednesday, January 27, 2010 10:55:34 AM

Testimony for EDT 1/27/2010 1:15:00 PM SB2299

Conference room: 016
Testifier position: support
Testifier will be present: Yes
Submitted by: Ricardo Galindez
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Submitted on: 1/27/2010

Comments: