

HB 983

HD2, SD1

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SUBJECT: MISCELLANEOUS, Hawaii strategic development corporation tax credits

BILL NUMBER: HB 983, SD-1

INTRODUCED BY: Senate Committee on Economic Development and Technology

BRIEF SUMMARY: Amends HRS section 211G-12 to provide that tax credits issued to the Hawaii Strategic Development Corporation (HSDC) may be transferred or used to reduce the tax liability of any taxpayer subject to HRS section 431:7-202. The total amount of tax credits that may be issued, and which may be transferred shall be \$ _____. Changes the date when the tax credits transferred by the corporation shall be exercisable from July 1, 2005 to July 1, 2013, nor after _____. The HSDC shall limit the transfer of tax credits that may be claimed and used to reduce the tax otherwise imposed by HRS chapters 235, 241 or 431:7-202 for one fiscal year including any tax credits that are carried over by a taxpayer from a prior fiscal year and used to reduce taxes otherwise imposed in the current fiscal year to not more than an aggregate total of \$ _____ per fiscal year.

Amends HRS section 211G-1 to amend the definition of "tax credits" and "taxpayer" to include HRS section 431:7-202 taxpayers.

EFFECTIVE DATE: July 1, 2112

STAFF COMMENTS: The legislature by Act 215, SLH 2004, created the state private investment fund within the HSDC to provide additional financing options including the use of tax credits to reduce the tax liability of taxpayers subject to HRS chapters 235 or 241. The proposed measure extends these provisions to insurance companies subject to HRS chapter 431:7:202 (insurers other than insurers of life insurance contracts, ocean marine insurance contracts, and real property title insurance contracts) which is imposed in lieu of the net income tax and the general excise tax.

This measure proposes to increase the amount of tax credits authorized to be transferred to the HSDC from \$36 million to \$ _____ that may be transferred or used to reduce the tax liabilities of any taxpayer subject to HRS chapter 235 (income), chapter 241 (banks and financial institutions) and section 431:7:202 (insurers other than insurers of life insurance contracts, ocean marine insurance contracts, and real property title insurance contracts). The measure also changes the date when such tax credits may be transferred and also the aggregate total that may be transferred in a fiscal year.

It should be noted that the state has not tracked the cost-benefit of any of the tax credit programs as recommended by the most recent Tax Review Commission. The state has not ascertained if taxpayer dollars that have been spent have gotten any economic returns that these investments may have had. There is sparse data on how these credits affect the equity of the overall tax system. At best, the portion of the technology business that this measure impacts remains a small part of the employment pie while commanding a comparatively large share of state resources. The bottom line is that this measure represents an outflow of real dollars from the state treasury. At the very least, one of the conditions of the credit should be a filing by companies wanting to claim the credit to insure that they produce expected outcomes and the amount that was invested in Hawaii.

Digested 3/29/11