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HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 318, SD 2 RELATING TO BUSINESS DEVELOPMENT IN HAWAII

TESTIFIER: FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR
DESIGNEE)
COMMITTEE: ERB
DATE: MARCH 22, 2011
TIME: 8am
POSITION: DEFER TO DBEDT; CONCERNS

This bill proposes to amend Chapter 235 by expanding the film credit to include special effects or digital animation and media infrastructure projects.

The Department of Taxation (Department) defers to DBEDT on the merits of the film credit in general.

The Department has the following concerns and technical comments regarding this bill.

CONCERN OVER ADDITIONAL CREDIT FOR SPECIAL EFFECTS – The Department is concerned about providing an additional credit for special effects and animation in addition to the film production credit. Money spent on special effects and animation will receive two credits for the same activity.

CONCERN OVER AGGREGATE CAP—The Department generally opposes aggregate caps, especially in this measure's form. There is no legislative guidance on how the cap is to be administered. Is the cap based on who files first? Do taxpayers need to apply for the credit? Should the credit be spread evenly amongst all taxpayers? All of these issues arise when an aggregate cap is instituted. These issues become even more concerning when there are a substantial number of taxpayer claiming the credit.

The Department notes this provision was deleted in HB 1551, HD2, a similar bill that has already been passed by the House.

CONCERN OVER ASSIGNABILITY – If the credit must be assignable, the Department suggests making any credit assignments one-time-only, and assignable only to a financial institution.

The Department notes this provision was also deleted in HB 1551, HD2.

RECAPTURE – This bill contains no recapture provision. The Department recommends adding one and suggests the language used in HB 1551, HD2 and recommends the recapture amount be 100%.

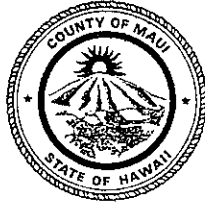
CREATE A NEW SECTION – The existing Section 235-17 is made confusing by the addition of these new subsections. It would be cleaner to simply remove the new language for a credit for media infrastructure projects and place it in its own section.

RECOMMEND ADHERENCE TO PROPOSED REGULATIONS CONTAINED IN TIR 2009-5 – The Department has published proposed administrative rules in Tax Information Release 2009-05 for the existing film credit and recommends that this bill's expanded credit also be subject to those rules.

RECOMMEND ALLOWING ANY TAX PRACTITIONER TO PERFORM THE INDEPENDENT AUDIT – The bill requires an independent certified public accountant to certify applications submitted to the Director of Taxation. The Department recommends allowing any tax practitioner to make this certification.

REVENUE IMPACT – The amounts of the credit have been blanked out and therefore the revenue estimate is indeterminate. For an example of a revenue estimate on a similar measure with the amounts not blanked out, please see the Department's testimony on HB 1551, before this committee amended that bill.

ALAN M. ARAKAWA
MAYOR



KEITH A. REGAN
MANAGING DIRECTOR

OFFICE OF THE MAYOR

Ke'ena O Ka Meia

COUNTY OF MAUI – Kalana O Maui

TO: The Honorable Angus L.K. McKelvey, Chair
The Honorable Isaac W. Choy, Vice Chair
Honorable Members of the House Committee on Economic Revitalization &
Business

FROM: Alan Arakawa, Mayor
County of Maui

DATE: **Hearing of March 22, 2011**

SUBJECT: **TESTIMONY OF MAUI COUNTY MAYOR ALAN ARAKAWA AND
EXECUTIVE ASSISTANT JOCK YAMAGUCHI IN SUPPORT OF
SB318 RELATING TO BUSINESS DEVELOPMENT IN HAWAII**

Thank you for this opportunity to testify in support of SB318 relating to Business Development in Hawaii.

The County of Maui supports the intent of this measure which we believe will benefit the entire State of Hawaii by diversifying and stimulating our economy, creating new jobs for our residents, and producing long term opportunities through training/deeming programs for our children.

As Mayor of Maui County I am committed to working in partnership with the State regarding this bill.

We thank you for considering our testimony and humbly ask for your support for SB318.

From: Sally Davis [kaleidavis@gmail.com]
Sent: Tuesday, March 22, 2011 10:35 AM
To: ERBtestimony
Subject: LATE TESTIMONY - Bill 318 testimony

My name is Sally Davis and am a member of Screen Actors Guild and AFTRA..I make my living in film and television.I am in full support of Bill 318!