HB 1270
HD 1

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
RICHARD C. LIM
Interim Director
Department of Business, Economic Development & Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS
Thursday, March 17, 2011
9:00 AM
State Capitol, Conference Room 211

in consideration of
HB 1270, HD1
RELATING TO TAXATION.

Chair Ige, Vice Chair Kidani and members of the Committee:

The Department of Business, Economic Development, and Tourism (DBEDT) understands the intent of this measure, however, Hawaii's economy is still trying to recover from the downturn, many businesses are still struggling, and employment within the State has not fully recovered. DBEDT strongly opposes the repeal of tax credits under chapter 235. However, the Department defers to the Department of Taxation on matters pertaining to the reporting requirements outlined in this bill.

Energy Tax Credits:

We support the use of analyses to evaluate the effectiveness of the tax credits. We are particularly interested in the ethanol facility tax credit listed in Section 235-110.3 and the renewable energy tax credit listed in section 235-12.5.

The latest version of this bill delays the repeal date for both the renewable energy and ethanol tax credits to December 31, 2015. Extending the tax credits out another four years for the benefit of Hawaii's energy market will enable the industry to continue to experience the positive growth necessary towards the collective efforts of mitigating our overall dependence on foreign oil.

Furthermore, the analysis and assessment of these tax credits will not only provide a baseline measurement to ascertain the credits' effectiveness, but it will also provide an important metric for the growth rate of Hawaii's renewable energy industry.

We respectfully recommend that the bill be modified to say explicitly that the repeals would be subject to the results of the analyses. To do this, we recommend that the language beginning on page 8, line 12 be modified to read as follows:

> (c) [~~All~~] Subject to the analyses and the Legislature's determination whether the tax incentives are achieving their intended objectives, are consistent with public policies, and should be reenacted, amended, or permitted to expire, each of the following tax credits [~~shall~~] may be repealed on December 31, 2015:

Motion Picture, Digital Media, And Film Production Income Tax Credit (Section 235-17)

Hawaii has built and sustained an excellent global reputation for its film industry. A repeal of Section 235-17, HRS, motion picture, digital media, and film production income tax credit (Act 88), would severely impact Hawaii's ability to remain competitive in the global landscape of film and television production. Suspending all tax incentives for film, television and digital media production at an early sunset date of 2013 will severely impact this clean growth industry. The incentive has attracted over $700 million in direct production expenditures since its effective date of July 1, 2006, delivering a cumulative economic impact of $1.2 billion, contributing over 6,000 jobs in production, and ancillary growth in small businesses and visitor related spending. This credit has a proven track record of driving economic development and developing our workforce while offering minimal impact to Hawaii's tax base compared to the economic benefits.

Moving up the sunset date from 2015 to 2013 will also cause business uncertainty and disruption with negative impacts, eliminating the state's ability to spur economic activity, severely curtail high-paying job creation and a key component of Hawaii's economic stimulus for short- and long-term recovery.

DBEDT supports the areas of the measure related to analysis of impacts and effectiveness of tax credits. The department has implemented a policy of collecting data related to Act 88 applicants since its effective date, including tracking of job creation, estimated expenditures, and economic impacts. The department makes available aggregate data and would continue to work with Department of Taxation on further reporting requirements. It should be noted that because individual taxpayer information is considered confidential, only aggregate Act 88 tax credit refund data would be available from DOTAX.

For these reasons, we respectfully recommend that the reference to repealing Section 235-17 be deleted from this measure:

SECTION 3. Repeal dates for certain tax credits, exclusions, and exemptions. (a) All of the following tax credits, exclusions, or exemptions shall be repealed on December 31, 2013:

~~(2) Section 235-17, Hawaii Revised Statutes (motion picture, digital media, and film production income tax credit);~~

While the repeal of tax credits would impact Hawaii's economy negatively, DBEDT supports the intent of this measure that seeks to analyze impacts and effectiveness of tax credits – so long as appropriate resources are made available to assist in the monitoring and analysis of programs.

Thank you for the opportunity to offer these comments.

NEIL ABERCROMBIE
GOVERNOR

KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

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

SENATE COMMITTEE ON WAYS AND MEANS
March 17, 2011 at 9:00 a.m.
Room 211, State Capitol

In consideration of
H.B. 1270, H.D. 1
RELATING TO TAXATION.

The HHFDC ***opposes*** H.B. 1270, H.D. 1 as it impacts the State Low-Income Housing Tax Credit under sections 235-110.8 and 241-4.7, Hawaii Revised Statutes, and the General Excise Tax exemption for certified or approved housing projects under section 237-29, Hawaii Revised Statutes, because it will adversely affect the development of affordable rental housing.

The Low-Income Housing Tax Credit (LIHTC) program is a major financing tool to construct or rehabilitate affordable rental housing for families at or below 60 percent of the area median income. Under the program, HHFDC awards federal and state tax credits that may be used to obtain a dollar-for-dollar offset (tax credit) in income tax liability for 10 years or may be syndicated to generate project equity. Approximately $2.719 million in federal and $1.359 million in state volume cap tax credits may be awarded each year. Since the program's inception, 82 projects totaling 7,311 affordable units, have been developed or preserved using LIHTCs.

Even if the State LIHTC is re-enacted during a subsequent Legislative session before the repeal date proposed in the H.D.1, uncertainty created by this bill may chill the market for LIHTCs in the short term, and stall affordable rental housing development and construction. Meanwhile, current LIHTC investors who are only part of the way through their 10 year take-down periods at the repeal date will likely have a claim against the State.

The General Excise Tax (GET) exemption program for certified housing projects is a valuable tool that makes affordable housing development and rental housing operations economically feasible. Repeal of this exemption would increase the cost of affordable housing development and construction by 4 to 4.5 percent. Repeal would also adversely affect the economic feasibility of existing affordable housing projects previously certified for the exemption.

If it is the Committee' intent to move this bill forward, we respectfully request that in order to decrease the risk of default and foreclosure for existing affordable housing projects that have previously been awarded LIHTCs or GET exemptions, the H.D. 1 be amended to grandfather in existing affordable housing projects that have been awarded credits or exemptions, ***by amending subsection (d) of Section 3 of the H.D. 1 to read as follows:***

"(d) All of the following tax credits, exclusions, and exemptions shall be repealed on December 31, 2016; provided that the potential repeal of the tax credits in paragraphs (5) and (7), and the tax exemption in paragraph (6) of this subsection shall not apply to those projects approved before January 1, 2017:

(1) Section 235-15, Hawaii Revised Statutes (tax credits to promote the purchase of child passenger restraint systems);
(2) Section 235-55.7, Hawaii Revised Statutes (income tax credit for low-income household renters);
(3) Section 235-55.85, Hawaii Revised Statutes (refundable food/excise tax credit);
(4) Section 235-110.2, Hawaii Revised Statutes (credit for school repair and maintenance);
(5) Section 235-110.8, Hawaii Revised Statutes (low-income housing tax credit);
(6) Section 237-29, Hawaii Revised Statutes (general excise tax; exemptions for certified or approved housing projects); and
(7) Section 241-4.7, Hawaii Revised Statutes (banks and other financial corporations tax; low-income housing; income tax credit)."

Thank you for the opportunity to testify.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY OF THE DEPARTMENT OF TAXATION
REGARDING HB 1270, HD 1
RELATING TO TAXATION

TESTIFIER:	**FREDERICK D. PABLO, DIRECTOR OF TAXATION (OR DESIGNEE)**
COMMITTEE:	**WAM**
DATE:	**MARCH 17, 2011**
TIME:	**9:00AM**
POSITION:	**SUPPORT INTENT**

Section 2 of this measure requires every person claiming a tax credit, exemption or exclusion to attach additional statistical information along with that claim, and requires the Department to provide forms for reporting that information. Section 3 of this measure repeals several tax credits, exemptions and exclusions.

The Department supports the intent of Section 2 of this bill, though has some concerns that it may be overly broad. The Department supports the intent of Section 3 insofar as it requires a review and evaluation of the listed credits, exclusions and exemptions, but takes no position on the individual merits of any of these credits.

SECTION 2 – The Department supports the intent of this section of the bill. It will significantly increase the amount of relevant information available to the Department, the Legislature and the public, allowing for better future analysis of any given tax credit, exemption or exclusion.

Overly Broad

However, the Department points out that the information-gathering proposed by this bill may be overly broad in scope. While the need for information on many of the State's business-related tax credits, exemptions and exclusions is clear, the Department questions the need for the same amount of detailed information on other credits targeted more toward individual taxpayers.

The Department suggests the following credits, exemptions and exclusions may be beyond the intent of this bill:

- The personal exemption
- The exemption for blind, deaf or totally disabled
- The food/excise tax credit
- The credit for low-income household renters
- The credit for child and dependent care expenses
- The credit for child passenger restraint systems
- The credit for income taxes paid in other states and other countries

Therefore, the Department recommends the bill be amended to apply more narrowly to those credits, exemptions and exclusions on which the Legislature wishes to gather information.

Filing Process

The Department requests that the bill not specifically provide that the information be filed with the return. To more easily obtain the desired information, the Department suggests language similar to the language of Act 206, SLH 2007, requiring high technology businesses to file an annual survey.

In addition, a strict deadline of March 30 to file the returns claiming the credits is not feasible because many credits are claimed on partnership returns and allocated to the partners. Typically, the partners have to wait until the potentially complex partnership return is filed before the partner can file their return claiming the credit.

SECTION 3 – The Department fully supports the Legislature reviewing our State's many tax credits, exemptions and exclusions and evaluating their merit, however offers no position on the merit of any specific credit, exemption or exclusion.

DEPARTMENT OF ENVIRONMENTAL SERVICES
CITY AND COUNTY OF HONOLULU
1000 ULUOHIA STREET, SUITE 308, KAPOLEI, HAWAII 96707
TELEPHONE: (808) 768-3486 • FAX: (808) 768-3487 • WEBSITE: http://envhonolulu.org

PETER B. CARLISLE
MAYOR

TIMOTHY E. STEINBERGER, P.E.
DIRECTOR

MANUEL S. LANUEVO, P.E., LEED AP
DEPUTY DIRECTOR

ROSS S. TANIMOTO, P.E.
DEPUTY DIRECTOR

IN REPLY REFER TO:
WAS 11-47

March 16, 2011

The Honorable David Y. Ige, Chair
and Members of the Committee on
Ways and Means
State Senate
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Ige and Members:

Subject: House Bill 1270, HD1, Relating to Taxation

The City and County of Honolulu's Department of Environmental Services (ENV) opposes that portion of Bill 1270, HD1, relating to taxation that would remove or potentially limit the tax exemption for air pollution control facilities.

Specifically Section 3 of HB 1270, HD1, would repeal the current tax exemptions for Air Pollution Control Facilities included in Section 237-27.5 of the Hawaii Revised Statutes effective December 31, 2014.

This change would seriously impact any future mandated project at H-Power to update the Air Pollution Control Facility for the plant. This would result in major contractual and cost impacts to H-Power and its on-going upgrade which were not considered in existing contracts between Covanta and the City and County of Honolulu (City). H-Power provides a critical service to the community as it is the primary waste disposal option for the City and will increase that function with the completion of an additional boiler in 2012. H-Power's incineration of waste not only reduces the amount of waste going to the landfill but provides the added benefit to the community of recycling municipal solid waste to produce energy for Hawaiian Electric Company.

We urge you to refrain from removing the tax credit for an Air Pollution Control Facility that provides a critical waste disposal service to our community, diverts waste from the landfill, and converts waste to energy, all of which have a positive impact on our island environment.

Sincerely,

MSL
Timothy E. Steinberger, P.E.
Director
FOR

Bernard P. Carvalho, Jr.
Mayor

Gary K. Heu
Managing Director

Eugene K. Jimenez
Housing Director

KAUA'I COUNTY HOUSING AGENCY
County of Kaua'i, State of Hawai'i
Pi'ikoi Building 4444 Rice Street Suite 330 Līhu'e Hawai'i 96766
TEL (808) 241-4444 FAX (808) 241-5118

March 16, 2011

Sen. David Y. Ige, Chair, and Committee on Ways and Means Members
State Senate
The Twenty-Sixth Legislature, Regular Session of 2011
State of Hawaii

SUBJECT: **TESTIMONY OPPOSING HB1270 HD1, RELATING TO TAXATION**
Hearing: WAM March 17, 2011 9:00 AM *Conference Room 211*

The Kaua'i County Housing Agency ***strongly opposes*** HB1270 HD1 as it impacts the State Low Income Housing Tax Credit under HRS Sec. 235-110.8 and Sec. 241-4.7, and the General Excise Tax exemption for certified or approved housing projects under HRS Section 237-29. Repeal of these two tax credits and the GET exemption would significantly and adversely affect the development and sustainability of new and existing affordable rental housing projects on Kaua'i.

The Low Income Housing Tax Credit (LIHTC) program is the major financing tool available to construct or rehabilitate affordable rental housing for families at or below 60% of the Kauai Median Household Income. State LIHTC awards enable leveraging of Federal LIHTC awards to generate project equity, substantially lowering the debt that must be carried by the affordable housing project, and enabling rental to low income households that otherwise have very limited housing options on Kaua'i. Deletion of these two credits would essentially cripple affordable rental housing development on Kaua'i, affecting not only residents but also the construction sector and the island economy.

The General Excise Tax exemption program for certified housing projects is a valuable enabler that makes affordable housing development and rental housing operations economically feasible. Repeal of this exemption would increase the cost of affordable housing development and construction by 4.0 to 4.5 percent. It would also decimate the financial viability of existing affordable housing projects previously certified for the exemption, wherein all cash flow would be required to pay the General Excise Tax.

We strongly oppose the deletion of these two tax credits and the GET exemption for low income housing. We respectfully request you reconsider. Thank you for the opportunity to testify.

Sincerely,

Eugene K. Jimenez

Eugene K. Jimenez
Housing Director

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 1270, HD-1

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Adds a new section to HRS chapter 231 to require every person claiming a tax credit, exclusion, or exemption under this title, to attach to the claim, a form with statistical information requested by the department of taxation. Requires any taxpayer to file the return by the due date or March 30, whichever is earlier, of the year following the year in which the tax credit, exclusion, or exemption is being claimed. If the taxpayer fails to file by the due date or March 30, whichever is earlier, in the year following the year in which the tax credit, exclusion, or exemption was claimed or fails to include the required data, any tax credit, exclusion, or exemption received shall be recaptured for the year the tax credit, exclusion, or exemption was claimed.

The form provided by the department shall require the: (1) reporting period; (2) amount of tax credit claimed; (3) number of jobs created based on the tax credit; (4) public purpose of the tax credit, exclusion, or exemption as it relates to the specific taxpayer; (5) job quality standards provided by the taxpayer; (6) amount of tax credit recaptured, if any; (7) conformance by the taxpayer with the purpose of the tax credit, exclusion, or exemption; and (8) review of expenditures enabled because of the tax credit, exclusion, or exemption and the extent to which the tax credit, exclusion, or exemption fits within the state's budgeted estimates. Requires the department of taxation, by September 30, to report to the legislature summarizing for each tax credit, exclusion, or exemption the statistical information received from taxpayers for the previous year and provides that this information shall be made available to the public so that the statistics may be analyzed by any individual or public or government agency interested in establishing an opinion on whether the statistics indicate which credits, exclusions, or exemptions should be continued, amended, or permitted to expire.

Beginning with the regular session of 2013, any individual or public or government agency that has analyzed any tax credit, exclusion, and exemption data may provide the legislature with a report of this analysis including information sufficient to allow the legislature to determine whether the tax credits, exclusions, and exemptions are achieving their intended objectives, are consistent with public policies, and should be reenacted, amended, or permitted to expire.

Repeals the following on December 31, 2013:

235-9.5	Stock options from qualified high technology businesses excluded from taxation
235-17	Motion picture, digital media, and film production tax credit
235-110.51	Technology infrastructure renovation tax credit
235-110.6	Fuel tax credit for commercial fishers

235-110.7	Capital goods excise tax credit
237-24.5	Additional exemptions
237-24.75	Additional exemptions
237-24.9	Aircraft service and maintenance facility
237-28.1	Exemption of certain shipbuilding and ship repair business
239-12	Call centers; exemption; engaging in business; definitions
241-4.5	Capital goods excise tax credit
241-4.8	High tech business investment tax credit

Repeals the following on December 31, 2014:

237-24(14)	Amounts not taxable
237-24.3	Additional amounts not taxable
237-24.7	Additional amounts not taxable
237-25	Exemptions of sales and gross proceeds of sales to federal government, and credit unions
237-26	Exemption of certain scientific contracts with the United States
237-27	Exemption of certain petroleum refiners
237-27.5	Air pollution control facility
237-27.6	Solid waste processing, disposal, and electric generating facility; certain amounts exempt
237-29.5	Exemption for sales of tangible personal property shipped out of the state
237-29.53	Exemption for contracting or services exported out of state
237-29.55	Exemption for sale of tangible personal property for resale at wholesale
237-29.8	Call centers; exemption; engaging in business; definitions
244D-4.3	Exemption for sales of liquor out of the state

Repeals the following tax on December 31, 2015:

235-12.5	Renewable energy technologies; income tax credit
235-110.3	Ethanol facility tax credit
235-110.93	Important agricultural land qualified agricultural cost tax credit
241-4.6	Banks and other financial corporations tax; renewable energy technologies; income tax credit

Repeals the following on December 31, 2016:

235-15	Tax credits to promote the purchase of child passenger restraint systems
235-55.7	Income tax credit for low-income household renters
235-55.85	Refundable food/excise tax credit
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
241-4.7	Banks and other financial corporations tax; low-income housing; income tax credit

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This measure repeals various tax credits and exemptions of state tax law. 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.

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. Income tax credits such as the renter tax credit and the refundable food/excise tax credit will result in a tax increase for taxpayers who qualify for those credits. 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 that 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 businesses 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.

Among those general excise tax exemptions that if repealed could create inefficiencies in the way business is conducted in Hawaii is the reimbursement of nonprofit homeowner associations and advertising contributions to an unincorporated merchant's association (-24.3).

This then leaves those exemptions that 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 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.

While this measure would also require taxpayers to submit statistical information on every tax credit, exclusion or exemption claimed, it is questionable whether taxpayers claiming the renter tax credit, food/excise tax credit and similar tax credits would also need to "justify" their claim for the credit. While the measure does not require any examination of the data but merely requires the collection of data, it is questionable whether any individual or public or governmental agency will examine the data and provide "free" unbiased advice or recommendations without compensation.

Digested 3/15/11

THE QUEEN'S MEDICAL CENTER

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 538-9011 • Fax: (808) 547-4646

Senator David Y. Ige, Chair
Senator Michelle Kidani, Vice Chair
COMMITTEE ON WAYS AND MEANS

March 17, 2011 – 9:00 a.m.
State Capitol, Conference Room 211

Re: HB 1270, HD1 – Relating to Taxation

Chair Ige, Vice Chair Kidani, 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). Thank you for this opportunity to oppose Section 3b, item 2 of House Bill 1270, HD1, which would repeal the general excise tax exemption for prescription drugs and prosthetic devices under Section 237-24.3, Hawaii Revised Statutes.

Many individuals take prescription drugs for chronic medical conditions that have life or death implications. As Hawaii's population ages, utilization of prescription drugs and other healthcare services will increase. The intent of the GET exemption for prescription drugs is to allow as full access as possible to these life-sustaining drugs. The application of the GET to prescription drugs will only increase the barrier to obtaining necessary prescriptions.

The current tax exemption for prescription drugs and prosthetic devices does not serve to increase hospital's profits; rather, it defrays significant losses and allows for continued support of community programs, non-core services, and charity care. Queen's contributes to the well-being of Hawaii by giving back to the community. In fiscal year 2009 Queen's gave back $87 million to the community, including costs associated with health care services, education, and uncompensated care.

Queen's wholly appreciates the Legislature's budgetary challenges. However, we respectfully oppose Section 3b, item 2 due to the anticipated negative impact on the healthcare consumer and our already overburdened healthcare system. Thank you for the opportunity to testify.

ALOHA SOCIETY OF ASSOCIATION EXECUTIVES

ALOHA SOCIETY OF ASSOCIATION EXECUTIVES
ASAE-Hawaii
P.O. Box 282
Honolulu, Hawaii 96809-0282

March 17, 2011

Testimony To: Senate Committee on Ways and Means
Senator David Y. Ige, Chair

Presented By: Tim Lyons
Legislative Chairman

Subject: H.B. 1270, HD 1 – RELATING TO TAXATION

Chair Ige and Members of the Committee:

I am Tim Lyons, Legislative Chairman of the Aloha Society of Association Executives and we oppose this bill.

We understand that the state is short of money and is in a dire situation however, we do not believe that the way to make it up is by taxing the dues of non-profit organizations (237.5(a)(1)(B).

The Internal Revenue Code recognizes that in some cases, non-profit organizations might go outside of their mission and in those cases it has established UBIT or Unrelated Business Income Tax which is intended to tax non-profit organizations when they are performing activities NOT in accordance with their "true non-profit status" and we can certainly understand those situations. This bill however, says "we don't care if you are doing what you are supposed to be doing for a tax exemption; we still want to tax those proceeds".

Based on the above, we do not believe that this is a proper source of income for the State and it is based on that, that we oppose this bill.

We have attached a listing of our membership to this testimony who would agree with us that this is an improper measure.

Thank you.

Aloha Society of Association Executives – Hawaii Chapter Membership List

AlohaCare
Building Industry Association of Hawaii
General Contractors Association of Hawaii
Hawaii Association of Independent Schools
Hawaii Association of Realtors
Hawaii Bankers Association
Hawaii Convention Center
Hawaii Credit Union League
Hawaii Food Industry Association
Hawaii Insurers Council
Hawaii Museums Association
Hawaii Optometric Association, Inc.
Hawaii Orthopedic Association
Hawaii Pacific Tennis Foundation
Hawaii Society of Certified Public Accountants
Hawaii Transportation Association
Hawaii Visitors & Convention Bureau
Hawaii Wall & Ceiling Industry Association
Honolulu Board of Realtors
Kaua'i Visitors Bureau
Legislative Information Services of Hawaii
Mid-Pacific Country Club
National Association of Insurance & Financial Advisors Hawaii
Organizations Management, LLC
Pacific Telecommunications Council
Painting & Decorating Contractors Association
Plumbing & Mechanical Contractors Association
Presentation Resources
PROcom Hawaii
Retail Merchants of Hawaii
Sand Island Business Association
Sheet Metal Contractors Association
SMEI Honolulu
Hawaii Association of Broadcasters
The Legislative Center, Inc.
Waikiki Improvement Association

THE LEGISLATIVE CENTER

TLC

1188 Bishop Street, Ste. 1003
Honolulu, Hawaii 96813-3304
PHONE: (808) 537-4308 • FAX: (808)533-2739

March 17, 2011

Testimony To: Senate Committee on Ways and Means
Senator David Y. Ige, Chair

Presented By: Tim Lyons, Legislative Liason
Anheuser Busch Companies

Subject: H.B. 1270, HD 1 - RELATING TO TAXATION

Chair Ige and Members of the Committee:

I am Tim Lyons, Legislative Liaison for Anheuser Busch Companies and we oppose this bill.

This bill proposes to repeal the current exemption and impose a tax on the liquor excise tax amounts that we receive. This new tax as well as other items in this bill, such as, 237-24.75 (bottle bill fee) and sales to the federal government (237-25), all spell disaster for this industry. If all of these provisions pass it will easily be said that the government will make far more money off selling a can beer than we will. Plus, we think the federal government will revert to buying their product on the mainland and bringing it in themselves and deprive Hawaii <u>any</u> income from these sales.

Based on the above, we don't think the industry can withstand that kind of taxation and we would, therefore, urge you not to pass this bill.

Thank you.

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

CENTRAL OFFICE

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

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Fax: (808) 550-0607
E-mail: mhah@mutual-housing.org

PROPERTIES

Lihu'e Court Townhomes
Kokaulike Courtyards
Palolo Homes

EXECUTIVE DIRECTOR

David M. Nakamura

March 15, 2011

The Honorable David Y. Ige, Chair and the Members
Of the Senate Committee on Ways and Means
Hawai'i State Capitol
415 South Beretania Street; Room 211
Honolulu, Hawai'i 96813

Dear Chair Ige and Committee Members:

Subject: House Bill 1270, HD 1 - Relating to Taxation

The Mutual Housing Association of Hawai'i, Inc. ("Mutual Housing") strongly opposes the provisions in House Bill 1270, HD 1 which would repeal the State Low-Income Housing Tax Credit ("State LIHTC") as of December 31, 2016 and the General Excise Tax exemption ("GET") for certified low-income housing projects.

As an owner and developer of affordable rental housing, we can attest to the critical need for permanent and dedicated sources of funding to build new rental housing. The equity funding provided by the State's LIHTC program allows developers to leverage other funding programs such as tax-exempt bonds, the Rental Housing Trust Fund, the Dwelling Unit Revolving Fund, HOME program and conventional bank loans to make affordable projects financially feasible. Without the State LIHTC, future construction of affordable rental housing will be even more difficult, if not impossible, and Hawai'i will fall further behind in addressing its shortage of rental housing units for our families.

Developers and owners of affordable rental housing projects also rely on the GET exemption to make their projects financially feasible and to maintain the affordability of their rents for low-income families. The GET exemption for certified affordable housing projects has been in place to assist the economic feasibility in the development of affordable housing projects for decades. It has proven to be a successful incentive for the development and preservation of affordable housing and should be allowed for future affordable housing projects.

Hawaii cannot ignore the affordable housing crisis facing our State. Our families are forced live in substandard conditions and often have to double or triple up with families and friends to make ends meet. We are also seeing our homeless population grow throughout the islands. Please do not put the State LIHTC and GET exemption at risk when these tools are greatly needed at this time and for the foreseeable future. Thank you for the opportunity to provide this testimony.

Sincerely,

David M. Nakamura
Executive Director

NeighborWorks
CHARTERED MEMBER

CATHOLIC CHARITIES HAWAI'I

TESTIMONY IN OPPOSITION TO HB 1270, HD1: RELATING TO TAXATION

TO: Senator David Ige, Chair, Senator Michelle Kidani, Vice Chair, and Members, Committee on Ways and Means

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawaii

Hearing: Thursday, 3/17/11; 9:00 am; CR 211

Chair Ige, Vice Chair Kidani, and Members of the Committee on Ways and Means:

Thank you for the opportunity to provide written testimony on HB 1270, HD1. I am Betty Lou Larson, Legislative Liaison for housing and homelessness issues at Catholic Charities Hawaii. Catholic Charities Hawaii opposes this bill as it would adversely impact the State Low Income Housing Tax Credit program and the GET for affordable rental housing projects.

The State needs all the tools possible to **create more affordable rental housing**. This Low Income Housing Tax Credit program provides critical funding for construct or rehab affordable rental units. Families must earn below 60% of the Area Median Income (AMI), so the fund targets housing to those families who are struggling with Hawaii's high market rents. It has successfully helped 82 projects, housing 7,311 families.

Catholic Charities Hawaii also opposes the repeal of the General Excise Tax (GET) for certified affordable housing projects, since it **would increase the cost of affordable housing as well as the development of new housing**. Current projects are on tight budgets and attempt to keep the rents stable for the residents. With rising costs for electricity and sewer and other costs, residents are already struggling to continue to pay for the small rental increases that are needed to maintain the projects. An additional 4.5 increase in rents added to the annual increases needed to maintain the projects would be a hardship for many residents, especially in elderly buildings. The elders have received no increase in social security for 2 years, yet costs keep going up.

We urge you to defer this bill. Thank you very much for the opportunity to provide written testimony.

HUNT
DEVELOPMENT GROUP
737 Bishop Street, Mauka Tower, Suite 2750
Honolulu, Hawaii 96813
Office 808 585-7900 • Fax 808 585-7910

Senator David Ige, Chair
Senate Committee on Ways and Means

March 17, 2011; 9:00 a.m.
State Capitol, Conference Room 211

RE: HB 1270 HD1 – Relating to Taxation – IN OPPOSITION

Chair Ige, Vice Chair Kidani and members of the Committee:

My name is Steve Colon, President of Hunt Development Group, testifying in opposition to the repeal of Section 237-29 of this bill as this would have an adverse impact on current and planned affordable housing projects.

If the committee is inclined to pass this measure, we respectfully request the committee either delete the reference to Section 237-29 (6) on page 9 of HB 1270 HD1 or consider the following proposed amendment:

page 9 (d): All of the following tax credits, exclusions and exemptions shall be repealed on December 31, 2016, **provided that the potential repeal of the tax credits in paragraphs (5) and (7) of this subsection and the tax exemption in paragraph (6) of this subsection shall not apply to those projects approved before January 1, 2017.**

Thank you for the opportunity to comment on this measure. We ask for your favorable consideration of our request to encourage the construction of affordable housing projects to continue.

THE CHAMBER OF COMMERCE OF HAWAII
1132 Bishop Street, Suite 402
Honolulu, HI 96813

Testimony to the Senate Committee on Ways and Means
Thursday, March, 17, 2011
9:00 AM
Conference Room 211

RE: HOUSE BILL NO. 1270, HOUSE DRAFT 1, RELATING TO TAXATION

Chair Ige, Vice Chair Kidani, and members of the committee.

My name is Charles Ota and I am the Vice President for Military Affairs at The Chamber of Commerce of Hawaii (The Chamber). I am here to state our opposition to Section 3(a) (9) and 3(d) (6) of House Bill 1270, HD 1, Relating To Taxation.

The Chamber's Military Affairs Council (MAC) serves as the liaison for the state in matters relating to the US military and its civilian workforce, and their families, and has provided oversight for the state's multi-billion dollar defense industry since 1985.

The defense industry is the second major source of revenues to the state, second only to tourism. Its annual expenditures of more than $6.8 billion dollars helps to generate more than $10.1 billion into Hawaii's economy, and account for creating more than 92,000 jobs that bring home some $6.4 billion dollars in household income annually.

The measure proposes a review and evaluation of certain tax credits and exemptions, and report to the legislature. It further provides for an automatic repeal of tax credits and tax exemptions.

Our concerns are specifically with Section 3(a) (9) of the proposed measure, which provides for the automatic repeal of tax exemptions for shipbuilding and ship repair, and Section 3(d) (6), which proposes to repeal tax exemptions for certified and approved housing projects. In both instances, the repeals would directly affect military government contracts that provide hundreds of jobs and millions of dollars worth of subcontracts for small local businesses.

In the case involving Section 3(a)(9), a repeal of the GET exemption would result in placing Hawaii's ship repair businesses at a disabling disadvantage in competing for government and private ship repair contracts. Hawaii based ship repair businesses already face higher operating costs, and none of the competing ship repair businesses on the West Coast and Guam, nor those in China and other Far East locations, are required to add-on GE taxes on bid proposals.

It is safe to state that the exemption for ship repairs is a critical factor in sustaining the ship repair/building industry for our island state.

The committee should note that this GET exemption was a primary factor in enabling BAE Systems' ship repair division to successfully compete for a 10-year, $1.3 billion military contract for a surface ship modernization program at Pearl Harbor.

The GET exemption for certified and approved state and county funded housing projects under Section 3(a)(6) also extends to projects under the federally funded military housing privatization initiative. This includes billions of dollars in housing construction/renovation/repair projects under two 50-year PPV residential housing development contracts. The military has about 17,000 homes in its rental housing inventory that will require construction, renovation, and repair work over the 50-year term of the contracts.

Most recently, one of the developers announced that it was moving ahead with a multi-million dollar construction program to replace or renovate some 6,000 homes on Army and Air Force bases in Hawaii. Subcontracts for local small businesses will result in providing hundreds of jobs.

We respectfully request that the committee take a deeper look at the potential impacts the proposal would have on the ship repair and state, county and federally funded housing programs, both of which provide hundreds jobs and contract opportunities for our small businesses, and generate millions of dollars in revenues for the state.

For these reasons, we respectfully recommend that the proposed measure be amended to delete an automatic repeal of the tax exemptions for ship building and repair, and certified and approved government funded housing programs.

Thank you for the opportunity to testify.

International Union of Painters and Allied Trades
District Council 50

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March 15, 2011

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR: Nathaniel Kinney, Director of Organizing and Business Development
International Union of Painters and Allied Trades
District Council 50

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Nathaniel Kinney and I am the Director of Organizing and Business Development of the International Union of Painters and Allied Trades, District Council 50.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair
Committee on Ways & Means

HEARING	Thursday, March 17, 2011
9:00 am
Conference Room 211
State Capitol, Honolulu, Hawaii 96813

RE: HB1270, HD1, Relating to Taxation

Chair Ige, Vice Chair Kidani, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to the support of the retail industry and business in general in Hawaii.

RMH opposes HB1270, HD1, which requires the department of taxation to evaluate certain tax credits and tax exemptions and report to the legislature and provides automatic repeal of the tax credits and tax exemptions. **Our comments are specific to Section 3 (a) (5) and (7) and (b) (9).**

Section 3 (a) (5) repeals §235-110.7, HRS: the capital goods excise tax credit. Abolishing this tax relief will discourage business investment, growth and job creation and increase business costs. True economic recovery for Hawaii hinges on encouragement and assurances of stability for the private sector.

Section 3 (a) (7) repeals §237-24.75, specifically the amounts received as beverage container deposits collected under chapter 342G, part VIII. The five-cent deposit is a pass-through fee: 1) paid initially by the manufacturer/distributor to the State; 2) passed on to the dealer; and 3) finally passed on to the consumer, who then recovers the five-cent deposit when the container is redeemed. While it is unclear as to whether the repeal of the exemption will be on all levels, or at which rate the deposit is taxed, what is clear is that the greatest burden will be on the consumer.

Section 3 (b) (9) repeals §237-29.5, the exemption for sales of tangible personal property shipped out of the state. In this global economy, this exemption provides Hawaii's businesses a modicum of competitive balance when competing with sellers which do not have to comply with taxes imposed by government.

Considering the current deficit situation facing the state government, and the tenuous economic recovery in the business community, we are very concerned with the cost implications of Section 2: 1) for the dept of taxation to establish, administer, and analyze the reporting documents and 2) for the taxpayers to research, complete and file said documents.

We urge you to hold HB1270, HD1. If this committee is inclined to pass HB1270, HD1, we respectfully request your deleting the above-referenced sections. Thank you for your consideration and for the opportunity to testify on this measure.

Carol Pregill

Carol Pregill, President

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Faith Action for
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Oahu and Maui Chapters
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COMMITTEE ON WAYS AND MEANS

Senator David Y. Ige, Chair

DATE: Thursday, March 17, 2011

TIME: 9:00 a.m.

PLACE: Conference Room 211

RELATING TO TAXATION

HB 1270

I am Rev. Alan Mark and I am the State President of FACE. Faith Action for Community Equity (FACE) is the Hawaii's largest interfaith and community organizing non-profit. Founded in 1996, the membership is presently made up of 24 institutions on Maui, 27 on Oahu, and one statewide. There are 38 churches, a Buddhist temple, 2 Jewish congregations, 10 community groups and non-profit organizations, and one labor union. We represent more than 40,000 members Statewide. FACE exists to allow its members to live out our common faith-based values by engaging in actions that challenge the systems that perpetuate poverty and injustice.

FACE does not support the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects. The GET exemption is provided to qualified low income rental housing is a critical necessity for the economic feasibility of new developments and especially for the existing

FACE does not support any repeal or suspension of the GET exemption for affordable housing projects and low income rental housing. This it is going to make the development and preservation of affordable rental housing, which is already in dire straits, much more difficult in these times when the financial environment has limited capital available for these necessary projects.`

Please remove this portion of the bill. Thank you for your support for the vulnerable people of our State of Hawaii.

Thank you for your consideration.

Rev. Alan Mark
FACE
State President

Island Palm COMMUNITIES
A Lend Lease Community

Island Palm Communities LLC
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March 15, 2011

Honorable David Ige, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

Subject: Comments to the Senate Committee on Ways and Means

Hearing: Thursday, March 17, 2011 Conference Room 211

Re: HB 1270, HD1, Relating to Taxation

Good day Chair Ige, Vice Chair Kidani, and members of the committee,

My name is Claire Ridding-Johnston and I am the Project Director for Island Palm Communities, a public private partnership under the Military Housing Privatization Initiative (MHPI).

We are the largest MHPI Project on the Island of Oahu, and manage some 8,000 housing units for military families located in seven distinct locations across the island. Over 50% of our housing accommodates enlisted soldiers of more junior ranks.

We submit the following comments in strong opposition to the above referenced bill, particularly in reference to Section 3 (d) (5) and (d) (7) *(Section 235-110.8, Hawaii Revised Statutes; low-income housing tax credit*) and Section 3 (d) (6) (*Section 237-29, Hawaii Revised Statutes; exemptions for certified or approved housing projects*). As currently drafted it will have significant adverse impact on both military and non-military affordable housing projects as well as on the already depressed local construction industry.

With the economy in the doldrums, the ongoing construction and renovation of affordable homes continue to sustain us all through these tough times, but would be impacted if this bill passed. Island Palm Communities is a significant employer in the State of Hawaii. As well as directly employing some 500 local people in a range of roles, we are also involved in the employment of in excess of 1,000 local construction workers, tradesmen and professionals via ongoing contracts. (98% of our contractors are local businesses). It is important to mention that this project's housing construction operates under a Project Labor Agreement with twelve signatory unions. A reduction in local business and jobs as a result of this Bill would negatively impact future State revenue from income taxes paid by these businesses and workers.

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Repeal or changes to the affordable housing GET exemption will not only impact families who qualify for affordable housing, but also the already critical local affordable housing market.

It is important to understand that Island Palm Communities does not directly benefit from the exemption. All funds are reinvested back into additional construction and community activities and services.

We respectfully ask that HB 1270 be amended with the insertion of this clause in section 3 (d), after "December 31, *2016*": ***"provided that the potential repeal of the tax credits in paragraphs 5 and 7 of this subsection and the tax exemption in paragraph 6 of this subsection shall not apply to those projects approved before January 1, 2017."***

Thank you for the opportunity to submit comments on this bill.

Claire Ridding-Johnston

Claire Ridding-Johnston
Island Palm Communities LLC
Project Director

Hickam COMMUNITIES
A Lend Lease Community

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March 15, 2011

Honorable David Ige, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

SUBJECT: Comments to the Senate Committee on Ways and Means

HEARING: Wednesday, March 17, 2011, 9am

RE: HB 1270, HD1, Relating to Taxation

Aloha Chair Ige, Vice Chair Kidani and members of the committee.

My name is Jerry Schmitz. I am the Project Director for Hickam Communities LLC (HC) at Joint Base Pearl Harbor - Hickam, Hawaii, a Military Housing Privatization Initiative (MHPI) public-private partnership providing nearly 2500 homes for Airmen and their families.

We are strongly opposed to the above referenced bill specifically Section 3(d) (5) and (d) (7) *(Section 235-110.8, Hawaii Revised Statutes; low-income housing tax credit)* and Section 3(d) (6) (*Section 237-29, Hawaii Revised Statutes; exemptions for certified or approved housing projects*) as it will have significant adverse impacts on both military and non-military affordable housing projects, as well as on the already depressed local construction industry that is under severe stress because of the ongoing economic recession.

If passed, this bill would almost immediately impact ongoing construction and renovation of homes for military families. The scope of our project would be reduced and less work would be available to union workers and local businesses with reduced revenues going to suppliers and vendors. Ninety-eight percent of HC's subcontracts go to local companies employing several hundred union members working on military housing. Please note all the Hickam Air Force family housing construction falls under a Project Labor Agreement with several local trade unions. The consequential reduction in local business and jobs will, of course, result in a reduction in future state income derived from state income taxes paid by these businesses and workers.

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Neither Hickam Communities LLC nor any of its contractors or subcontractors directly profit from the exemption as these funds are mandated to go back into the project for additional housing and community improvements. Therefore, repeal or changes to the affordable housing GET exemption only serves to hurt military families who qualify for affordable housing further exacerbating an already critical local affordable housing market.

Without an affordable housing GET exemption those qualified projects already under construction would either have to reduce scope, stop construction, reduce services and/or default on loans. To make the impact of the bill less severe to our affordable housing projects already under construction with financing in place, we recommend the insertion of this clause in Section 3 (d), after "December 31, 2016": *"provided that the potential repeal of the tax credits in paragraph 5 and 7 of this subsection and the tax exemption in paragraph 6 of this subsection shall not apply to those projects approved before January 1, 2017."*

Mahalo for the opportunity to comment on this bill.

Jerry Schmitz
Hickam Communities LLC
Project Director

PROTECH ROOFING, LLC.

P.O. BOX 31226 * HONOLULU, HAWAII 96820
TEL# (808) 845-1300 * FAX# (808) 845-3700
LIC# C-24141

March 15, 2011

The Honorable David Ige, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

SUBJECT: Comments to the Senate Committee on Ways and Means

HEARING: Thursday, March 17, 9:00 a.m., Conference Room 211

RE: HB 1270 Relating to Taxation

Aloha Chair Ige, Vice Chair Michelle Kidani, and members of the committee.

My name is Charles E. Spiegel, Managing Director/Owner of Protech Roofing, LLC. And I have been in business in the State for nine years. My company specializes in Roofing and for the past seven years, I have worked on the military housing privatization projects at both Hickam and Army bases.

My company strongly opposes HB 1270, specifically Section 3, d5 and d6.

This bill will affect the current GET exemption at both projects and will likely reduce their scope. This will mean less construction work would be available to local companies like us. We have benefited from the opportunities made available through the military privatization initiative. As such, we have been able to operate our business in spite of the tough local economy, as well as employ good union workers at our various job sites.

In order to make this bill viable, we humbly suggest that it be modified so the current projects with GET exemptions can be "grandfathered". This will ensure no negative consequence will result from the bill.

Thank you for your kind attention.

Sincerely,

Chas Spiegel

Charles E. Spiegel
Managing Director
Protech Roofing, LLC.

March 16, 2011

Senator David Y. Ige, Chair
Senator Michelle Kidani, Vice Chair
Members of the Senate Committee on Ways and Means
State Capitol, Room 308
415 South Beretania Street
Honolulu, Hawaii 96813

Subject: HB 1270 H.D. 1; Hearing March 17, 2011 at 9:00 A.M.; Testimony in Opposition

Dear Chair Ige, Vice Chair Kidani and Members of the Senate Committee on Ways and Means:

Thank you for this opportunity to submit our testimony in strong opposition to HB 1270 H.D. 1 as it applies to the automatic repeal of low income housing tax credits (Section 235-110.8) and the automatic repeal of the general excise tax exemptions (GET) for certified or approved housing projects (Section 237-29) both to occur on December 31, 2016.

EAH Housing is a non-profit public benefit corporation dedicated to developing, managing, promoting and preserving affordable rental housing.

We depend on the LIHTC program to help finance new affordable rental projects and the acquisition and rehabilitation of existing affordable rental projects. This repeal would, in effect, bring to a halt the production and preservation of affordable rental housing in the State at a time when we continue to have a critical need for more affordable rental housing.

Affordable housing creates jobs. New construction of affordable rental housing and the preservation and rehabilitation of existing affordable rental housing means badly needed jobs for our construction industry as well as jobs for the continued operation of these projects. We should be thinking of ways to hasten the development of affordable rental housing rather than creating moratoriums.

The GET exemption provided to qualified low income rental housing is a critical component in the economic feasibility of new developments and in the ability of existing developments to meet their loans and operational commitments. The GET exemption for qualified low income rental housing applies to rent only. If the property charges for parking or gets income from a centralized laundry or vending machines then GET is paid on that income. Each property must apply and be qualified for the exemption on an annual basis.

The elimination of the GET exemption will be passed on to low-income tenants via an increase in rents and/or a reduction in services as it increases the operating costs of properties that are already struggling with other increases such as utilities and refuse collection.

Our state has a critical shortfall of affordable rental housing. The GET exemption helps to encourage the production and preservation of as many affordable rental units as possible.

Any repeal or suspension of low income housing tax credits and/or the GET exemption is going to make the development and preservation of affordable rental housing, an already difficult task in the best of times, much more difficult in a financial environment with limited capital available.

Sincerely,

Kevin R. Carney, NAHP-e, (PB)
Vice President, Hawaii

AMERICAN FRATERNAL ALLIANCE
TESTIMONY ON HB 1270, HD 1, RELATING TO TAXATION

March 17, 2011

Via e mail: wamtestimony@capitol.hawaii.gov
Honorable Senator David Y. Ige, Chair
Committee on Ways and Means
State Senate
Hawaii State Capital, Conference Room 211
415 S. Beretania Street
Honolulu, Hawaii 96813

Re: HB 1270, HD 1,
Relating to Taxation

Dear Chair Ige and Members of the Committee:

Thank you for the opportunity to testify on HB 1270, HD 1, Relating to Taxation.

Our firm represents the American Fraternal Alliance ("Fraternal Alliance"), a national association whose 71 member societies operating in the United States provide financial security to nearly 10 million Americans and their families through life insurance and related products. Fraternal benefit societies utilize the proceeds from the sale of these products to make direct financial contributions to hundreds of charitable organizations across the country and, more importantly, to orchestrate and support their individual members' community volunteer work. In 2009, Fraternal Alliance members volunteered nearly 91 million hours (valued at $1.9 billion) to community service projects and made $400 million in direct financial contributions to support charitable, patriotic, educational, and religious activities.

Generally, HB 1270, HD 1, directs the Department of Taxation to collect statistical information to determine whether the tax credits, exclusions and exemptions provided under current law should be continued. Within 30 days prior to each legislative session, beginning with the 2013 legislative session, any individual or governmental agency may provide the legislature with a report of its analysis to allow the legislature to "... determine whether the tax credits, exclusions, and exemptions under Hawaii law are achieving their intended objectives, are consistent with public policies, and should be reenacted, amended, or permitted to expire." (At page 3, lines 21 and 22, and at page 4, lines 1 through 9).

It is unclear whether the collection of information and legislative review mandated by HB 1270, HD 1, applies only to the exemptions to be repealed in Section 3 of the Bill or all exemptions, credits and exclusions currently provided by law.

For example, subsection (a) of the proposed addition to Chapter 231, HRS, which is set forth in section 2 of the bill (page 2, at lines 9 and 10), requires anyone claiming a tax credit, exclusion, or exemption under Title 14 of the Hawaii Revised Statutes to attach to the claim statistical information requested in a form to be developed by the Department of Taxation. However, in the very next paragraph the department is directed to develop forms which request information " . . . necessary to enable evaluation of each tax credit, exclusion, and exemption listed in Section 3 . . . " of the bill. This would suggest that only the tax credits exclusions and exemptions listed in Section 3 of the bill are the subject of the department's study and the Legislature's review.

This would be a sensible interpretation for the reasons stated below.

The collection and study of information to confirm whether each and every tax credit, exclusion and exemption provided under current law should be continued is an unnecessary and wasteful expenditure of State funds. This exercise should not encompass those credits, exclusions and exemptions that are known to be achieving their intended objectives and are consistent with public policy. ***Thus, if the bill is intended to apply to all tax credits, exclusions and exemptions, the Fraternal Alliance opposes the Bill for the reasons set forth below.***

Currently, all revenues received by a fraternal benefit society are exempt from the State's general excise tax. If this exemption were repealed it would greatly reduce a society's ability to provide the kinds and level of services and programs to their members and the members of their communities in which they live.

Four Fraternal Alliance members – Thrivent Financial for Lutherans, Woodmen of the World, The Independent Order of Foresters, and Knights of Columbus – have active volunteer networks in Hawaii. Combined, these societies have over 9,000 members in the state and lend their financial and volunteer support to a variety of causes and organizations. The following are just a few examples of how our members have helped individuals and partnered with other organizations in Hawaii:

- In Lihue, Thrivent members spent over 3,000 hours preparing and serving lunch on a weekly basis as part of an ongoing relationship with the Kokua Kitchen Community Outreach. Thrivent donated $4,936 to cover meal costs.

- The Independent Order of Foresters proudly supported HUGS, a respite organization for parents of medically fragile children. Over 75 families enjoyed Lunch with Santa, ice skating, and a variety of holiday activities designed for the special needs of HUGS families.

- The Knights of Columbus support a number of programs that provide food to the needy in Hawaii. For example, Knights councils on Maui raise thousands of dollars each year for Hale Kaukau, which feeds 200-300 homeless families as well as the homebound and disabled. Every three weeks, Council 7156 on Oahu collects 2,000 pounds of food at the Navy Exchange and distributes it to food banks on the island. Councils also provide financial support for Hawaii's Catholic schools, as well as scholarships for children who attend them. Overall, Knights contributed more than 86,000 to charitable causes last year. Overall, Hawaii Knights contributed over $86,000 to charitable causes in the state last year.

- For the past five years, Woodmen of the World members have provided over 3,000 meals, thousands of dollars in funding, and hundreds of hours in service to the homeless through partnerships with the River Life Mission in China Town and Lanakila Meals on Wheels.

No State in the union taxes fraternal benefit societies. Fraternals have been recognized as tax-exempt non-profit entities by the federal government and all 50 states for more than a century. In 2009, members of Hawaii's fraternal benefit societies contributed more than 85,000 hours of volunteer service valued at over $1.7 million and made direct financial contributions of over $400,000 to schools, charities, and community service organizations in this State.

Our estimates indicate that the state would generate less than $380,000 in new tax revenues by applying the 4 percent general excise tax to fraternal benefit societies. These revenues would have a negligible impact on the state budget.

Taxing fraternals would be inconsistent with good public policy. Taxing fraternals would greatly threaten their ability to provide the volunteer service and direct financial aid they contribute to fill gaps in the social safety net and help people in Hawaii enhance their lives and their communities. Volunteering is the key to fraternalism – fraternals don't just donate money, they do the work. The economic equation simply does not add up. The people of Hawaii and the state government receive far more benefit from the fraternal tax exemption than they would if societies were subject to the general excise tax.

Sections 237-24(1) and 237-24(3), HRS, currently provide that life insurance death benefits, accidental death benefits and disability insurance payments are exempt from the State's general excise tax.

Proceeds payable under a life insurance policy and disability or annuity contract by reason of the insured's death and on amounts received other than by reason of a decedent's death (eg., cash surrender value of a policy) under a life insurance, disability income policy and long term care insurance contract ("Insurance Proceeds") are currently exempt from Hawaii's general excise tax.

Sound public policy supports these exemptions.

Families use after tax dollars to pay the premiums for this insurance. To impose yet another tax when the insurance is paid punishes those who take responsible steps to plan for and protect their own financial future and the financial security of their families and others who are dependent upon them for their financial support and well being. Life, disability and long term care insurance provide individuals with this protection.

Taxing Insurance Proceeds is unprecedented. No state in the country taxes insurance proceeds. 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.

Further, taxing amounts received other than by reason of the death of the insured under life insurance, endowment or annuity contracts is inappropriate. These amounts include, for example, payment of the policy's "cash value" (investment portion) in the life insurance contract, sums paid as a policy loan and as an accelerated death benefit; and in the case of annuities, the annuity payments themselves which consist in part of the purchaser's investment in the contract. These payments are not taxed because they do not constitute gross income.

For the foregoing reasons, if HB 1270, HD 1, is intended to apply to all tax credits, exclusions and exemptions, the Fraternal Alliance strongly opposes the bill and would request that as respects the fraternal benefit societies' and insurance proceeds exemption from the State's general excise tax exemption, this Committee defer passage of the bill.

Again, thank you for the opportunity to testify on HB 1270, HD 1.

Sincerely yours,

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

By: ______________________
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AMERICAN COUNCIL OF LIFE INSURERS
TESTIMONY ON HB 1270, HD 1,
RELATING TO TAXATION

March 17, 2011

Via e mail: wamtestimony@capitol.hawaii.gov
Honorable Senator David Y. Ige, Chair
Committee on Ways and Means
State Senate
Hawaii State Capital, Conference Room 211
415 S. Beretania Street
Honolulu, Hawaii 96813

Re: HB 1270, HD 1,
Relating to Taxation

Dear Chair Ige and Members of the Committee:

Thank you for the opportunity to testify on HB 1270, HD 1, Relating to Taxation.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association, who represents more than three hundred (300) legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies account for 90% of the assets and premiums of the United States Life and annuity industry. ACLI member company assets account for 91% of legal reserve company total assets. Two hundred thirty-nine (239) ACLI member companies currently do business in the State of Hawaii; and they represent 93% of the life insurance premiums and 95% of the annuity considerations in this State.

Generally, HB 1270, HD 1, directs the Department of Taxation to collect statistical information to determine whether the tax credits, exclusions and exemptions provided under current law should be continued. Within 30 days prior to each legislative session, beginning with the 2013 legislative session, any individual or governmental agency may provide the legislature with a report of its analysis to allow the legislature to ". . . determine whether the tax credits, exclusions, and exemptions under Hawaii law are achieving their intended objectives, are consistent with public policies, and should be reenacted, amended, or permitted to expire." (At page 3, lines 21 and 22, and at page 4, lines 1 through 9).

It is unclear whether the collection of information and legislative review mandated by HB 1270, HD 1, applies only to the exemptions to be repealed in Section 3 of the Bill or all exemptions, credits and exclusions currently provided by law.

Subsection (a) of the proposed addition to Chapter 231, HRS, which is set forth in section 2 of the bill (page 2, at lines 9 and 10), requires anyone claiming a tax credit, exclusion, or exemption under Title 14 of the Hawaii Revised Statutes to attach to the claim statistical information requested in a form to be developed by the Department of Taxation. However, in the very next paragraph the department is directed to develop forms which request information "... necessary to enable evaluation of each tax credit, exclusion, and exemption listed in Section 3 ..." of the bill. This would suggest that only the tax credits exclusions and exemptions listed in Section 3 of the bill are the subject of the department's study and the Legislature's review.

This would be a sensible interpretation for the reasons stated below.

The collection and study of information to confirm whether each and every tax credit, exclusion and exemption provided under current law should be continued is an unnecessary and wasteful expenditure of State funds. This exercise should not encompass those credits, exclusions and exemptions that are known to be achieving their intended objectives and are consistent with public policy. ***Thus, if the bill is intended to apply to all tax credits, exclusions and exemptions, ACLI opposes the Bill for the reasons set forth below.***

Currently, life insurance companies are exempt from Hawaii's income tax. They are exempt because life insurers are already subject to the State's premium tax. If this exemption is repealed, life insurers would be subjected to the State's income tax in addition to the State's premium tax of 2.75% which is one of the highest life insurance premium tax rates in the nation (the national average is 1.9%). As a result, the insurer would be paying a double tax: a premium tax on the insurer's gross premiums and an additional income tax on its net income received in this State.

Unlike non-insurance corporations which are subject to a tax on their net income, life insurance companies are subject to a premium tax on their gross premiums, without any deductions for claims or expenses and which must be paid regardless of whether a life insurer is profitable.

In order to generate the $25.4M that life insurers already pay under the 2.75% gross premium tax, life insurers would have to be taxed at a corporate net income tax rate of 15.8%, a rate much higher than the rates of almost any other business.

The Hawaii corporate tax rate for non-insurers ranges from 4.4% to 6.4% of a company's net income. For banks and financial institutions the rate is 7.92%.

If a life insurer is required to pay a corporate income tax of 4.5% to 6.4% on its net income in addition to payment of the State's premium tax of $25.4M the life insurer would be subjected to a total tax burden of as much as 22.2% (15.8% + 6.4%).

Imposing a double tax only on insurers, who already pay the highest amount of tax than any other business in the State, is inconsistent with good public policy.

Currently, fraternal benefit societies are exempt from the State's general excise tax. If this exemption were repealed all revenues received by a fraternal benefit society would be subject to tax. This would reduce a society's ability to provide the kinds and level of services and programs to their members and the members of their communities in which they live.

Fraternal benefit societies have been recognized as tax-exempt non-profit entities by the federal government and all 50 states for more than a century. If its exemption were repealed Hawaii would be the first and only state to tax fraternal benefit societies. In 2009, members of Hawaii's fraternal benefit societies contributed more than 85,000 hours of volunteer service valued at over $1.7 million and made direct financial contributions of over $400,000 to schools, charities, and community service organizations in this State.

ACLI Fraternal member societies estimate that the state would generate less than $380,000 in new revenue by imposing the State's 4% GET on fraternal benefit societies. This tax revenue would have a negligible impact on the state's current and any future budget deficit, and would severely impede the ability of fraternals to serve the needs of Hawaii communities.

Taxing fraternals would be inconsistent with good public policy. Taxing fraternals would greatly threaten their ability to provide the volunteer service and direct financial aid they contribute to fill gaps in the social safety net and help Hawaii's people enhance their lives and their communities every day. Volunteering is the key to fraternalism – fraternals don't just donate money, they do the work. The economic equation simply does not add up. Hawaii's people and the State government receive far more benefits from the fraternal tax exemption than they would if societies were subject to the general excise tax.

Sections 237-24(1) and 237-24(3), HRS, currently provide that life insurance death benefits, accidental death benefits and disability insurance payments are exempt from the State's general excise tax.

Sound public policy supports this exemption.

Families use after tax dollars to pay the premiums for this insurance. To impose yet another tax when the insurance is paid punishes those who take responsible steps to plan for and protect their own financial future 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.

Moreover, taxing insurance proceeds is unprecedented. No state in the union taxes insurance proceeds. 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.

Current law provides that amounts received other than by reason of the death of the insured under life insurance, endowment or annuity contracts are also exempt from the general excise tax. These amounts include, for example, payment of the policy's "cash value" (investment portion) in the life insurance contract, sums paid as a policy loan and as an accelerated death benefit; and in the case of annuities, the annuity payments themselves which consist in part of the purchaser's investment in the contract. These payments are not taxed because they do not constitute gross income.

For the foregoing reasons, if HB 1270, HD 1, is intended to apply to all tax credits, exclusions and exemptions, ACLI strongly opposes the bill and would request that as respects a life insurer's income tax exemption, general excise tax exemption for fraternal benefit societies and insurance proceeds, this Committee defer passage of this bill.

Again, thank you for the opportunity to testify on HB 1270, HD 1.

Sincerely yours,

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

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HB 1270 HD1

RELATING TO TAXATION

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

March 17, 2011

Chair Ige and Members of the Senate Committee on Ways and Means:

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy on HB 1270 HD1, "Relating to Taxation."

<u>SUMMARY</u>

Hawaii BioEnergy ("HBE") opposes HB 1270 HD1 in its current form, which could potentially result in the repeal of incentives that could help foster biofuels production in Hawaii. HBE asserts that the General Excise Tax Exemption for Certain Scientific Contracts with the United States (Section 237-26), the Ethanol Facility Tax Credit (Section 235-110.3), and the High Technology Business Investment Tax Credit (Section 241-4.8) contained in this bill are critical to helping jumpstart Hawaii's bio-based economy. The G.E.T. Exemption for Certain Scientific Contracts is currently being used and is vital for on-going projects and for attracting additional investment to the State of Hawaii. However, HBE is aware of and sensitive to the budget deficits and fiscal constraints of the state government and recognizes that some tax credits, including the Ethanol Facility Credit, have gone unutilized. The Ethanol Facility Credit, however, if applied to biofuels more broadly, as is proposed in various other measures before this legislature, could be utilized more readily and would help attract investment into a range of alternative fuels capable of helping Hawaii meet its alternative energy goals. Given the high cost of doing business in Hawaii and the risk associated with new technologies, HBE believes that these tax credits will remain critical to strengthening Hawaii's innovation-based economy and thus opposes HB 1270 HD1 in its current form.

HAWAII BENEFITS FROM LOCAL BIOFUELS PRODUCTION

Hawaii BioEnergy is a local company dedicated to strengthening the state's energy future through sustainable biofuel production from locally grown feedstocks. Among its partners are three of the larger land owners in Hawaii. HBE and its partners would like to use significant portions of their land to address Hawaii's existing and growing energy needs.

One of the biofuel alternatives that HBE is pursuing is the production of jet fuel and other oil derivatives from micro-algae, with the company already engaged in Phase II of a Hawaii-based, DARPA-funded algae project. Along with providing a local, renewable, and lower-carbon fuel source, expanded algae-based biofuel production will benefit the agriculture industry by providing a local source of protein for animal feed, fertilizers and other products. The general excise tax exemption for scientific contracts applies to these types of cutting edge and innovative projects and helps to reduce the substantially higher land and operational costs associated with doing business in Hawaii as compared to other areas on the mainland. I can attest from first-hand experience that Hawaii's exemption for these projects from the GET has made a difference in scientific projects being sited here in Hawaii, rather than on the mainland or other locations. Eliminating the exemption will be comparable to raising the costs of doing projects in Hawaii, such as our microalgae to jet fuel project; the higher cost of doing business could discourage the continuation of projects already underway or the siting of future projects in Hawaii.

In addition to HBE's on-going algae-based biofuel projects, the company is moving forward with plans to develop locally produced high density fuels from sweet sorghum, eucalyptus and/or other dedicated energy crops. The feedstocks and conversion production pathways under consideration hold tremendous potential to displace fossil fuel imports given their relatively low input requirements, exceptionally high yields, and capacity to produce a portfolio of products including liquid fuels for transport and power generation while contributing feed, and other bio-based co-products to the local market. The Ethanol Facility Credit, if broadened to apply to a wider range of biofuels as is proposed in several other bills before this legislature, could help offset upfront capital costs and foster investments in the production of bio-based alternatives to fossil fuels.

In addition to the clear environmental and energy security benefits that local production would bring to bear, fostering Hawaii's biofuel industry would also provide needed economic stimulus to the state through direct investment, job creation, and demand for goods and services. Based on an independent analysis commissioned by HBE, it's projected that a large-scale agricultural operation coupled with biofuels facility could provide up to 1,400 new direct, indirect and induced jobs, over $115 million in value added or new wealth, and over $17 million in annual tax revenue from combined indirect business and personal income taxes. Such benefits could be multiplied through additional investments in large-scale biofuels facilities supported through supports such as the facility tax credit and general excise tax exemption.

While the environmental, energy security and economic benefits are clear, the state's ability to secure the substantial capital required for large-scale commercial facilities requires providing a degree of assurance to private investors that they will be able to recover their investment within a reasonable time horizon. Potentially limiting producers' and project developers' access to a combination of federal and state supports could constrain the nascent industry's potential and limit development.

CONCLUDING REMARKS

Hawaii is an extremely attractive environment for a variety of biofuels projects, including cutting edge algae projects and those that integrate sustainable, dedicated energy feedstocks. However, the substantially higher land and operational costs in Hawaii relative to other areas on the mainland can be prohibitive for investors. Maintaining the General Excise Tax Exemption for Scientific Projects, a Facility Credit, and the High Technology Business Investment Tax

Credit will be critical to maintaining Hawaii's relative attractiveness for high tech and other innovative investments.

HBE is moving forward with projects that will help provide renewable and sustainable sources of energy for Hawaii and believes that HB 1270 HD1 may unnecessarily constrain biofuels development in the state and may hinder the development of Hawaii's bio-based renewable energy economy by limiting access to both federal and state support.

Based on the aforementioned, Hawaii BioEnergy respectfully requests your support in opposing HB 1270 HD1 in its current form. Thank you for the opportunity to testify.

PACIFIC GUARDIAN LIFE

DOUGLAS M. GOTO
Executive Vice President

March 17, 2011

The Honorable Senator David Y. Ige, Chair
Committee on Ways and Means
State Senate
Hawaii State Capital, Conference Room 211
415 S. Beretania Street
Honolulu, Hawaii 96813

Via email: wamtestimony@capitol.hawaii.gov

Re: HB 1270, HD 1, Relating to Taxation

Dear Chair Ige and Members of the Committee:

Thank you for the opportunity to testify in opposition to HB 1270, HD 1, Relating to Taxation.

My name is Douglas M. Goto. I am the Executive Vice President of Pacific Guardian Life Insurance Company, Ltd. ("PGL"). PGL is a Hawaii corporation having its headquarters in Honolulu, Hawaii.

PGL provides life insurance, disability, annuities and temporary disability insurance benefits to the people of Hawaii, 20 other western states, the Territory of Guam, and the Commonwealth of the Northern Mariana Islands.

PGL has approximately 120 employees in the state of Hawaii and employs an additional 20 employees in branch offices, primarily in the state of California. All of our staff members are "white collar" employees with many holding professional and managerial positions. Approximately 38% of PGL's life insurance premium writings are to persons residing outside the state of Hawaii. Accordingly, PGL is and seeks to continue to contribute to the Hawaii economy by generating revenue from customers outside of Hawaii.

Generally, HB 1270, HD 1, directs the Department of Taxation to collect statistical information to determine whether each and every tax credit, exclusion and exemption provided under current law should be continued. Within 30 days prior to each legislative session, beginning with the 2013 legislative session, any individual or governmental agency may provide the legislature with a report of its analysis to allow the legislature to ". . . determine whether the tax credits, exclusions, and exemptions under Hawaii law are achieving their intended objectives, are consistent with public policies, and should be reenacted, amended, or permitted to expire." (At page 3, lines 21 and 22, and at page 4, lines 1 through 9).

PACIFIC GUARDIAN TOWER • 1440 KAPIOLANI BOULEVARD • HONOLULU, HAWAII 96814 • TEL (808) 942-1310 • FAX (808) 942-1290 • dgoto@pacificguardian.com

The collection and study of information to confirm whether all tax credits, exclusions and exemptions provided under current law should be continued is an unnecessary and wasteful expenditure of the State's scarce resources. This exercise should not encompass those credits, exclusions and exemptions that are known to be achieving their intended objectives and are consistent with public policy.

Currently, life insurance companies are exempt from Hawaii's income tax. They are exempt because life insurers are already subject to the State's premium tax. If this exemption is repealed, PGL would be subjected to the State's income tax in addition to the State's premium tax of 2.75% which is one of the highest life insurance premium tax rates in the nation (the national average is 1.9%). As a result, the insurer would be paying a double tax: a premium tax on the insurer's gross premiums and an additional income tax on its net income received in this State. Imposing a double tax only on insurers, who already pay the highest amount of tax than any other business in the State, is inconsistent with good public policy.

Moreover, increasing the tax will result in PGL's having to increase the cost of its premiums on some of its policies.

An increase in taxes may also subject life insurance companies domiciled in this state, such as PGL, to additional "retaliatory taxes" imposed by other states in which PGL does business.

For example, as PGL does business in the state of California, as its domestic life insurers such as Pacific Life also does business in Hawaii, if its income tax exemption is repealed, PGL will pay an additional tax equal to the difference between Hawaii's effective tax rate and the tax rate imposed by California.

Two decades ago, the Hawaiian life insurance market was served by a number of domestic life insurers, including Grand Pacific Life, Hawaiian Life, and Investors Equity Life, all of which were larger than PGL at the time. Today, PGL is one of the few remaining, and, we daresay, the only major active life insurance carrier with a Hawaii domicile. If PGL were to lose its income tax exemption it would serve as a major disincentive to its selecting a Hawaii domicile as opposed to the domicile in another state having a lower tax rate due to the economically punitive effect of the retaliatory taxes described above.

At times, it is extremely difficult to effectively compete with other carriers, principally national and regional players, in the life insurance market in Hawaii and the western states. PGL is proud that is has, thus far, been successful in doing so from our home office in Hawaii. The repeal of PGL's current income tax exemption which would result in PGL's payment of a double tax would make its ability to succeed more difficult.

Under current law proceeds payable under a life insurance policy by reason of and other than a decedent's death (eg. cash surrender value of a policy) and disability income insurance (collectively "Insurance Proceeds") are exempt from Hawaii's general excise tax.

Repealing the current general excise tax exemption on Insurance Proceeds would be inconsistent with good public policy. Taxing Insurance Proceeds is unprecedented. No state in the union taxes Insurance Proceeds. 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.

We respectfully submit, therefore, that the cost of collection and the study of information mandated by HB 1270, HD 1, as it relates to a life insurance company's income tax exemption and the general excise tax exemption for Insurance Proceeds is an unnecessary and costly expenditure that the State can ill afford to pay and should not pay.

For the foregoing reasons, PGL strongly opposes HB 1270, HD 1 and requests that this Committee remove a life insurance company's income tax exemption and the general excise tax exemption for Insurance Proceeds from the provisions of the bill.

Again, thank you for the opportunity to testify in opposition to HB 1270, HD 1.

PACIFIC GUARDIAN LIFE
INSURANCE COMPANY, LIMITED

By: ______________________

Douglas M. Goto
Its Executive Vice President

Hawaii Credit Union League
Your Partner For Success

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Testimony to the Senate Committee on Ways and Means
Thursday, March 17, 2011 at 9:00 a.m.

Comments on HB 1270 HD1, Relating to Taxation

To: The Honorable David Ige, Chair
The Honorable Michelle Kidani, Vice-Chair
Members of the Committee on Ways & Means

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association representing 85 Hawaii credit unions and their approximately 810,000 members across the state.

We have concerns regarding HB 1270 HD1, Relating to Taxation. This bill requires an evaluation of certain tax credits and tax exemptions. We agree with the need for an evaluation mechanism, especially in this time of economic turmoil and uncertainty. However, we are concerned with the automatic repeal of tax exemptions.

Aside from being instrumentalities of the federal government, recognized by being included in the same statutory section providing a general excise tax exemption for purchases of tangible personal property by the federal government, we seek to retain this exemption for the purchase of tangible personal property by credit unions for several reasons:

- Credit unions are not-for-profit, member-owned financial cooperatives with the sole purpose of serving member needs, particularly members of modest means.
- The cost of any tax paid by a credit union is a cost paid by that credit union's member-owners.
- Unlike for-profit financial institutions that are able to access capital from external sources (issuing common or preferred stock for instance), a credit union can add to (strengthen) its capital only by retention of net income.
- As a consequence of only deriving capital from it members, any impairment on a credit union's net income will reduce the ability of a credit union to grow capital needed for safe and sound operations, especially in this troubled economy.

The philosophy of credit unions has always been to first serve those of modest means. The loss of the credit union tax exemption could potentially result in a significant reduction in resources to serve credit unions and their members. The ability of credit unions to offer low-cost services to members will be affected, should this legislation pass.

Thank you very much for the opportunity to comment.

THRIVENT FINANCIAL FOR LUTHERANS, WOODMEN OF THE WORLD, THE INDEPENDENT ORDER OF FORESTERS AND KNIGHTS OF COLUMBUS

TESTIMONY ON HB 1270, HD 1, RELATING TO TAXATION

March 17, 2011

HAND DELIVER
Honorable Senator David Y. Ige, Chair
Committee on Ways and Means
State Senate
Hawaii State Capital, Conference Room 211
415 S. Beretania Street
Honolulu, Hawaii 96813

Re: HB 1270, HD 1,
Relating to Taxation

Dear Chair Ige and Members of the Committee:

The proposed collection and study of information set forth in HB 1270, HD1, for the purpose of confirming whether each and every tax credit, exclusion and exemption provided under current law should be continued is an unnecessary and wasteful expenditure of State funds. This exercise should not encompass those credits, exclusions and exemptions that are known to be achieving their intended objectives and are consistent with public policy.

No State in the union taxes fraternal benefit societies. Fraternals have been recognized as tax-exempt non-profit entities by the federal government and all 50 states for more than a century. Fraternals have a long tradition of supporting communities through financial contributions and volunteer service. In 2009 alone, Fraternal Alliance members volunteered nearly 91 million hours (valued at $1.9 billion) to community service projects and made $400 million in direct financial contributions to support charitable, patriotic, educational, and religious activities.

The undersigned, American Fraternal Alliance, represents 71 fraternal benefit societies across the United States.

Four Fraternal Alliance members – Thrivent Financial for Lutherans, Woodmen of the World, The Independent Order of Foresters, and Knights of Columbus – have active volunteer networks in Hawaii. Combined, these societies have over 9,000 members in the state. In 2009, members of Hawaii's fraternal benefit societies contributed more than 85,000 hours of volunteer service valued at over $1.7 million and made direct financial contributions of over $400,000 to schools, charities, and community service organizations in this State. and lend their financial and volunteer support to a variety of causes and organizations.

Taxing fraternals would be inconsistent with good public policy. Taxing fraternals would greatly threaten their ability to provide the volunteer service and direct financial aid they contribute to fill gaps in the social safety net and help people in Hawaii enhance their lives and their communities.

On behalf of Thrivent Financial for Lutherans, Woodmen of the World, The Independent Order of Foresters, and Knights of Columbus. we urge you to consider the value these fraternal volunteers and funds provide to Hawaii's communities. Submitted for your consideration is representative testimony from the leaders of the Knights of Columbus and Thrivent Financial for Lutherans which they submitted to the prior committee who heard this bill. Their testimony attests to the work their societies have and will continue to do in Hawaii.

Fraternals don't just write checks – our members are engaged in your communities, enrich the fabric of society, and get things done. We look forward to continuing to serve Hawaii communities for years to come.

Sincerely,

Joseph J. Annotti
President & CEO
American Fraternal Alliance
1301 W 22nd St Ste 700
Oak Brook, IL 60523

Thrivent Financial for Lutherans

625 Fourth Ave. S., Minneapolis MN 55415-1665

Bradford L. Hewitt
President and
Chief Executive Officer

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February 24, 2011

The Honorable Marcus R. Oshiro, Chair
Committee on Finance
House of Representatives
Hawaii State Capitol, Conference Room 308
415 S. Beretania Street
Honolulu, Hawaii 96813

RE: House Bill 1270 & Taxation of Fraternal Benefit Societies

Dear Chair Oshiro and Members of the Committee:

I am writing to make you aware of the unintended consequences of House Bill 1270, with the hope that you will work to preserve the ability of Thrivent Financial for Lutherans members in Hawaii to continue to protect their financial security and make a positive difference in their communities.

Thrivent's unique not-for-profit mission unites deep concerns for the well being of our members and their communities in ways few organizations can. Thrivent was created more than 100 years ago by Lutherans who banded together to help each other when economic hardships struck. Today, we enable our more than 2,000 Hawaii members to continue to live that commitment to their families and neighbors.

What our members accomplish in the community is important, and so is how they accomplish it. Thrivent members nationwide are organized in local chapters, and through our grassroots chapter in Hawaii, our members are able to identify and meet local needs in ways only those who live there can. As you can see in the attached table, our Hawaii members are making a difference for important causes and helping to address unmet needs. From 2008 through 2010, Thrivent members in Hawaii have reported dedicating more than 44,000 volunteer hours to help raise or contribute more than $300,000 for local not-for-profit organizations and schools.

For generations, every state and the federal government has recognized the important role fraternal benefit societies play in communities by supporting tax exemptions that provide the funding needed to operate our grassroots chapter network and programs. I urge the members of the committee to ensure that Hawaii continues to protect the resources that support our members' efforts in your state. The revenue gained by taxing fraternals would not replace the financial contributions our members make to Hawaii's communities.

Moreover, state programs cannot replace the grassroots chapter structure that enables our members to stand up, take a stake in what is happening around them and commit volunteer time to better their communities.

And finally, financial security in their own lives helps our members help the community. The provisions of House Bill 1270 that would impose new taxes on life insurance and disability income benefits would negatively impact our members much the same way customers of commercial life insurers would be affected. The American Council of Life Insurers and others will argue persuasively on behalf of all life insurance policy holders in Hawaii, and I hope you will conclude that taxing individuals who are doing the right thing to protect their financial security is not good public policy.

Thank you for taking the time to consider my concerns, and for the personal sacrifices you make to take on the enormous challenge of public service during such difficult budgetary times. I respectfully request that you defeat or amend House Bill 1270 to protect fraternal benefit societies, our members and their community service activities in Hawaii.

Sincerely,

Brad Hewitt

Brad L. Hewitt

February 24, 2011

The Honorable Marcus Oshiro
Chair, House Finance Committee
Hawaii State Capitol, Rm. 306
415 South Beretania Street
Honolulu, Hawaii 96813

Re: HB 1270

Dear Chairman Oshiro:

On behalf of the Knights of Columbus, I would like to express our strong opposition to HB 1270, which would eliminate a wide variety of tax exemptions affecting many charitable, educational and other groups in Hawaii. Two of its provisions would adversely impact fraternal benefit societies, including ours, and our members.

One provision of HB 1270 would repeal the tax exemption for fraternal benefit societies, diminishing our ability to support the many charitable activities that lie at the heart of our service to the communities in which we live. The other would impose taxes on the proceeds from life insurance policies as well as annuities and disability policies, a step that is without precedent anywhere in the United States. Obviously, this provision would also affect many outside the fraternal system as well as our own members, but it is particularly troubling to us because providing such protection was a central reason that fraternal societies were formed in the 19th Century. It was a classic instance of civil society stepping in to meet an urgent societal need without relying on government to meet that need. We continue to do so, on a non-profit basis, to this day, benefiting our individual members and society at large. The degree to which society benefits from our activity has been well-documented in a 2010 study by Georgetown University Professor Phillip Swagel, *Economic and Societal Impacts of Fraternal Benefit Societies* (http://www.kofc.org/un/en/news/releases/detail/gtown_whitepaper.html).

Repealing the general excise tax exemption granted to fraternal benefit societies such as the Knights of Columbus would raise very little new revenue and would serve only to reduce the much-needed volunteer and charitable work that benefits the citizens of Hawaii. The value of what we are able to accomplish through our tax exemption far exceeds the small amount of revenue that would be gained.

I would also like to point out that the section in HB 1270 directing the Hawaii Department of Taxation to conduct a study of whether these exemptions might be modified or continued contains no provision under which those who stand to lose their tax exempt status are entitled to present the case for continued exemption. Only the views of "technical experts" and various governmental agencies are to be solicited. Surely those directly affected by the bill should have an opportunity to be heard.

The Knights of Columbus was formed in Connecticut in 1882 to provide mutual aid and assistance to our members and their families, as well as to provide charitable assistance to the sick, disabled and needy. We promote both social and intellectual fellowship among our members and their families and engage in educational, religious and community-based charitable works. The Knights of Columbus has grown from a few members in a single council in Connecticut in 1882 to more than 1.8 million members in over 14,000 councils throughout the United States, Canada, the Philippines, Mexico, Poland, the Dominican Republic, Puerto Rico, Panama, the Bahamas, the Virgin Islands, Cuba, Guatemala, Guam and the Northern Mariana Islands.

The 1,600 members of the Knights of Columbus in Hawaii belong to 23 local councils, and last year they donated 69,000 hours of their time to volunteer service in their communities. They also donated more than $86,000 to charity.

During the year ended December 31, 2009 our total contributions to charity at all levels reached $151,105,867 – exceeding the previous year's total by $1 million dollars. This figure includes $34,627,896 donated by the Knights of Columbus headquarters and $116,477,971 in charitable donations by state and local councils. The survey also shows that the reported number of volunteer hours by members of the Knights of Columbus for charitable causes was 69,251,926. During the past decade, the Knights of Columbus has donated a total of nearly $1.367 billion to charity, and provided nearly 639 million hours of volunteer service in support of charitable causes. Further details concerning the charitable activities of the Knights of Columbus can be found on our website at www.kofc.org. See also the *2010 Annual Report of the Supreme Knight* (http://www.kofc.org/un/en/resources/communications/report_2010.pdf).

We believe that HB 1270 would adversely affect vital elements of civil society while raising very little tax revenue and exacting a high societal cost. We ask that you reject the bill.

Sincerely,

Carl A. Anderson
Supreme Knight

HAWAII FILM & ENTERTAINMENT BOARD

COMMITTEE ON WAYS AND MEANS

March 17, 2011 – 9am
State Capitol, Conference Room 211

RE: HB 1270 HD1 – RELATING TO TAXATION

Dear Chair Ige, Vice-chair Kidani and members of the committee:

The Hawaii Film and Entertainment Board, whose members include all of the film industry labor unions, associations and film commissions **STRONGLY OPPOSE portions of HB 1270 HD1 in reference to 235-17 and request that item 2 in section 3 on page 5 be removed.**

The film industry is a proven REVENUE GENERATOR and JOB CREATOR and the inclusion of 235-17 in HB1270 will jeopardize this.

Production companies base large financial decisions on business certainty and a credit valid for only two years will provide virtually no business certainty. This measure **would effectively kill any consideration of new television series** that looks for a five-year window and the measure **implies that the state harbors a tentative approach to supporting future industry development.**

In calendar year 2010 the film industry was responsible for more than $400 million in direct expenditures and over $650 million in economic impact at **NO COST TO THE STATE. The program was designed to be revenue neutral.** Additionally, production companies can only claim the credit **after they spend the money** so there is **no initial outlay by the state.**

The film industry also generated **over 6000 full-time equivalent LOCAL industry jobs** and supported thousands more at local businesses including but not limited to hotels, restaurants, rental cars, dry cleaners, lumber yards, plant nurseries, office supply companies and hundreds of others.

But **NONE of this kind of economic or job generation will occur unless we have a stable credit with some longevity.**

Thank you for the opportunity to provide these comments.

Brenda Ching,
Chair

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

The Senate
Committee on Ways and Means
March 17, 2011
9:00 a.m., Room 211

Statement of the Hawaii Carpenters Union on HB 1270, HD 1 Relating to Taxation

The Hawaii Carpenters Union opposes the repeal of General Excise Tax (GET) exemptions and Low-Income Housing Tax Credits for affordable housing. There is much to weigh in HB 1270, but doing away with essential support for affordable housing has the broadest and deepest negative impact.

We face a critical need for a range of affordable housing, from homeless shelter, through rentals, to affordable for-sale. In fact, counties and the State require it in entitlements for many forms of development.

Numerous sources of assistance and incentives are needed to make the development of affordable housing feasible. The GET exemption, construction loans, 201H variances, and/or subsidies from related private development, only make projects feasible when combined. In addition, for low and moderate income rental housing, government assisted mortgages, block grants, private contributions, Low-Income Housing Tax Credits, are part of the over 20 sources needed to arrive at rents affordable to seniors, families and individuals.

They are all necessary because there is no single sufficient source of assistance. If the proposed repeals take place, efforts to serve this critical need will be crippled.

Further, a range of private investors will halt development projects, if their plans to satisfy their government mandated affordable housing requirements no longer work.

Deletion of these particular repeals from the Bill are needed now, because of the number years a development project takes from concept to construction. If a potential developer lacks certainty of the GET exemption, or a low-income housing tax credit, how can land acquisition, entitlements, design and financing be launched?

Competition for land, financing and developers' efforts will be won by luxury development. While members of our union build both, without incentives to build affordable housing, the overall amount of work will shrink, while those in need of decent shelter will suffer.

Should deliberations continue over the many parts of HB 1270, the affordable and low-income rental repeals should be removed from consideration now.

Thank you for the opportunity to testify on the matter.

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Testimony of Inter-Island Solar Supply
In Regard To
HB 1270, HD 1, Relating to Taxation
Before The
Senate Committee on Ways & Means
March 17, 2011

Chair Ige, Vice-Chair Kidani, my name is Richard Reed and I represent Inter-Island Solar Supply (IISS). **IISS is strongly opposed to HB 1270, HD 1.**

Hawaii ranks first in the United States in both solar water heating usage and delivered PV watts on a per capita basis. After a tough thirty-five year slog, Hawaii's renewable energy industry is now fast emerging as the fourth leg under our economic stool, after tourism, the military, and agriculture.

Our national leadership in the field of renewable energy did not come about overnight and it did not happen by accident. Rather, it has been made possible by a unique public – private partnership that has included the legislature, numerous administrations, regulators, our electric utilities, county governments, Hawaii Energy (HEEP), the Hawaii Energy Policy Forum and individual energy experts, and the renewable energy industry. The most important element, however, has been the consistency of our visionary public policy over the last three and a half tumultuous decades supporting the use of indigenous renewable energy resources to mitigate Hawaii's extreme dependence on polluting fossil fuels to generate electricity.

Just two short years ago oil reached a peak of $147/bbl. Electric rates in Hawaii went through the roof – again. Homeowners, business owners, and ratepayers all asked themselves, "Who allowed this to happen?" They also asked, "What can be done to ensure that this doesn't happen (to me) again?"

Unfortunately, there is every reason to believe that it will happen again. Oil still hovers at $100/bbl while much of the world economy remains in the tank. This fact alone requires that Hawaii must continue to make reasonable and prudent investments in renewable energy tax credits and incentives. It also means that Hawaii must cultivate and grow the indispensable renewable energy infrastructure without which we cannot begin to make a dent in our unsustainable dependence on polluting fossil fuels to generate electricity.

HB 1270, HD 1 is completely deficient in establishing a fiscal and/or economic justification for sunsetting HRS 235-12.5. The bill cites no study, report, or analysis that indicates the fiscal and economic impact of the section 235-12.5 renewable energy tax credits are negative rather than positive. It is simply assumed that, in the words of the purpose clause, all tax credits are "giveaways".

This presupposition is dangerously flawed. A good deal of evidence exists supporting the proposition that Hawaii's renewable energy tax credits incent economic behavior and capital investment that simply does not occur in their absence, and that the substitution of indigenous renewable energy resources for imported oil and coal to generate electricity has positive, not negative, fiscal and economic impacts. (Cf. The Final Report of the Energy-Efficiency Policy Task Force to the 2002 State Legislature, DBEDT, 2002).

Section 235-12.5 deserves, on merit, to be eliminated from any further draft under consideration. The inclusion of these beneficial tax credits in this bill will do far more harm to investors (taxpayers), the economy, State of Hawaii energy planning, and the rapidly growing renewable energy industry than good.

I appreciate the opportunity to submit this testimony on behalf of Inter-Island Solar Supply.

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March 17, 2011

The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means
State Capitol, Room 211
Honolulu, Hawaii 96813

RE: H.B. 1270, H.D.1, Relating to Taxation

HEARING: Thursday, March 17, 2011 at 9:00 a.m.

Aloha Chair Ige, Vice Chair Kidani and members of the Committee:

I am Craig Hirai, Chair of the Subcommittee on Affordable Housing, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,500 members. HAR **opposes** the potential repeal of items (5), (6) and (7) in Subsection (d) of Section 3 of H.B. 1270, H.D.1, 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 on December 31, 2016.

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 Low-Income Housing Tax Credits 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 believes that if items (5), (6) and (7) in Subsection (d) of Section 3 of H.B. 1270 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 the gross rents available for operating costs and debt service of hundreds of State and County approved rental housing projects throughout the State by at least 4% (4.5% in the City and County of Honolulu). This will almost certainly adversely affect the projects' ability to fund their operating and maintenance reserves and may impair their ability to service or possibly breach a covenant and cause a default under their outstanding mortgage debt.

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2. With respect to projects approved between the date of enactment of H.B. 1270, H.D.1, and December 31, 2016, the uncertainty of the continued existence of the GET exemption under HRS §237-29 will tend to reduce the amount of mortgage debt lenders will be 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, 2017. 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, 2016 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 the 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, 2016; and (b) the State to recapture the credit under HRS §235-110.8(d)(4) and IRC §42(j) after December 31, 2016.

4. With respect to projects approved between the date of enactment of H.B. 1270, H.D.1, and December 31, 2016, 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 items (5), (6) and (7) in Subsection (d) of Section 3 of H.B. 1270, H.D.1, are passed in their current form, Subsection (d) be amended to read as follows:

> (d) All of the following tax credits, exclusions, and exemptions shall be repealed on December 31, 2016<u>; provided that the potential repeal of the tax credits in paragraphs (5) and (7) of this subsection and the tax exemption in paragraph (6) of this subsection shall not apply to those projects approved before January 1, 2017</u>:
>
> (1) Section 235-15, Hawaii Revised Statutes (tax credits to promote the purchase of child passenger restraint systems);
>
> (2) Section 235-55.7, Hawaii Revised Statutes (income tax credit for low-income household renters);
>
> (3) Section 235-55.85, Hawaii Revised Statutes (refundable food/excise tax credit);

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(4) Section 235-110.2, Hawaii Revised Statutes (credit for school repair and maintenance);

(5) Section 235-110.8, Hawaii Revised Statutes (low-income housing tax credit);

(6) Section 237-29, Hawaii Revised Statutes (general excise tax; exemptions for certified or approved housing projects); and

(7) Section 241-4.7, Hawaii Revised Statutes (banks and other financial corporations tax; low-income housing; income tax credit).

Mahalo for the opportunity to testify.

Ship Repair Association of Hawaii

P.O. BOX 29001, Honolulu HI 96820

16 March 2011

The Honorable Senator David Ige, Chairman
The Honorable Senator Michelle Kidani, Vice Chairman
Senate Committee on Ways and Means

Hawaii State Capitol, Conference Room 211
415 South Beretania Street
Honolulu, HI 96813

Dear Chairman Ige, Vice Chairman Kidani and Members of the Committee:

On behalf of the Ship Repair Association of Hawaii (SRAH) I am submitting this written testimony in response to House Bill 1270, HD 1. The Ship Repair Association of Hawaii strongly opposes the repeal of the General Excise Tax (GET) exemption, proposed by Section 3 (a) (9), pertaining to;

...Section 237-28.1, Hawaii Revised Statutes (general excise tax; exemption of certain shipbuilding and ship repair business);

The ship repair industry in Hawaii has been fighting to maintain our industrial base since the mid 1990s. Owing to a number of unique economic factors that exist in Hawaii, our industry struggles to keep Hawaii's military and commercial home ported vessels in the State for ship modernization and repair requirements. Hawaii is the only Island State in the Union. We have a unique, encapsulated economy which restricts our ability to import the material and resources necessary to maintain our industry.

Because of our encapsulated economy and the resultant costs of having to ship all material needed from the mainland, along with the necessity to provide an appropriate and livable wage to our skilled island workforce, the Hawaii ship repair industry is, and has been, at a significant cost competitive disadvantage with mainland and foreign repair entities for years. Compounding the matter are the challenges of fluctuating workflows in the marine industry and the difficulties of recruiting, training and retaining the skilled workforce necessary to perform marine repairs.

It is worthy to note that the U.S. Navy is pressed through intense necessity, to reduce ship repair costs for work conducted on U.S. Navy ships, including those home ported in Pearl Harbor. To that end, the Navy instituted the Multi-Ship Multi-Option (MSMO) contracting concept to consolidate commercially contracted Pearl Harbor surface ship repairs under central (prime contractor) management, with a principal goal of improving the cost effectiveness of ship maintenance.

As a near term example of the undermining effect imposing GET would have on our industry in Hawaii: SRAH and MSMO contractors are working to maintain the Navy's commitment to conduct Navy Aegis Cruiser (CG) and Guided Missile Destroyer (DDG) modernizations and upgrades here in Pearl Harbor over the next 10 to 15 years, the first such conversion in progress now aboard USS CHOSIN in Pearl Harbor Naval Shipyard. If the Navy were required to pay GET for these projects, the added costs to the Navy would constitute a measurable element on the side of the ledger in favor of relocating these maintenance availabilities – and other significant ship repair availabilities planned to take place - to the West Coast of the U.S.

Hawaii based Coast Guard vessels are similarly pressed, and have already opted to conduct a number of scheduled maintenance availabilities on the West Coast in recent years, predicated on cost comparison. Our association continues to take cost-limiting measures to remain in the running to service Coast Guard, U.S. Army and other government marine vessels here in Hawaii.. Imposing GET on our ship repairs would further exacerbate the challenges we face, resulting in further lost work and lost revenue for our industry and this State.

Similarly, with respect to commercial operators, we see the effects of this cost analysis on large repair projects where commercial operators are not as impacted by the politics of their decisions. As is stands, we have seen these operators take their vessels to the mainland or to foreign competitors. Imposing a GET on ship repair will further exacerbate this dilemma.

Our ship repair businesses are significantly engaged in critical industrial services to our community, including electric motor and generator repairs and service; welding and metal manufacturing and repairs; Ventilation and Air Conditioning, among others. Imposing a GET on the ship repair portion of those businesses would impact them in an already difficult economy, constituting a very real threat to our community's fragile industrial base.

The employees and families of our Ship Repair Association of Hawaii constitute a significant industrial benefit to our community, with sound skills, technology and employment, good wages and a positive input to the State's tax base. Their jobs and the taxes they pay – as well as the taxes our companies pay on the non-ship repair revenues of our businesses - would all be substantially imperiled by imposing GET on ship repair in Hawaii.

As president of SRAH, I ask you to delete existing Shipbuilding and Ship Repair GET exemptions from the range of automatic repeals proposed by the bill.

Respectfully yours,

Iain S. Wood, President
Ship Repair Association of Hawaii

Member Firms

AMSEC LLC Airgas Gaspro American Industrial Insulation Anawati & Associates Arise Waco Scaffolding BAE Hawaii Shipyards C & S Services Dresser-Rand Hawaii Marine Cleaning Honolulu Marine, LLC HSI-Electric Boat HSI Mechanical, Inc. International Paint IMIA, LLC JCI Metal Products Jo-Kell, Inc Kratos Defense & Security Solutions Marisco, Ltd. NSC Technologies Oceaneering Pacific Shipyards International Phoenix International Potter Electric, Inc Propulsion Control Engineering Q.E.D. Systems Thyssenkrupp Safway, Inc UTS Maritime Services

Testimony before the
Committee on Ways and Means

H. B. 1270, HD1 - Relating to Taxation
3/17/2011, 9 a.m., Conference Room 211

By: Lon K. Okada
Hawaiian Electric Industries, Inc.

Chair Ige, Vice Chair Kidani and Members of the Committee:

My name is Lon Okada and I am submitting testimony on behalf of Hawaiian Electric Industries ("HEI") and its subsidiaries, including Hawaiian Electric Company, Inc. and American Savings Bank.

HB 1270, HD1 requires statistical data to be provided by taxpayers that claim specified income tax credits and general excise tax ("GET") exemptions. The data is to be provided on forms developed by the Department of Taxation, ("DOT"), and must be filed with tax returns by the earlier of the due date of the return or March 30th of the year following the year the tax credit or exemption is claimed. The DOT is required to summarize the statistical data and provide a report for the legislature and public by September 30th. The bill also establishes staggered dates to repeal the specified tax credits and GET exemptions beginning 12/31/2013.

HEI acknowledges the bill's commendable intent to evaluate tax credits and exemptions; however, we oppose portions of the bill for the following reasons.

<u>Statistical Data Collection</u>
Requiring the accelerated filing of information creates an undue burden not only on businesses, but also on individual taxpayers claiming such credits and exemptions. The bill has no provision for extensions, thereby penalizing taxpayers claiming these credits and exemptions by requiring the filing of their tax returns by the earlier of the original due date or March 30 of the year following the claim. This stringent deadline may be difficult to meet, resulting in an unfair loss of the exemption or credit. Many taxpayers receive credits through their ownership of partnership interests, and the accelerated deadline, in many cases, may precede the receipt of the actual credit information flowed through partnerships, making compliance difficult, if not impossible. Moreover, the requested information numbers (3), (5), (7) and (8) are highly subjective questions that are likely to result in misinterpretation and erroneous evaluation of data by the public and the DOT.

Automatic Repeal of Credits & Exemptions

The automatic repeal of credits and exemptions will have a detrimental impact on doing business in Hawaii. Many of these credits and exemptions serve to stimulate the economy. Creating uncertainty regarding their continued existence would prematurely diminish the effectiveness of these exemptions and credits and would make long range planning difficult for businesses. A review of these credits and exemptions is valuable; however, to nurture a stable business environment, any move to repeal or amend should be done prospectively after adequate evaluation and consideration.

For the foregoing reasons, HEI opposes portions of HB 1270, HD1.

GOODSILL ANDERSON QUINN & STIFEL
A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:
GARY M. SLOVIN
ANNE T. HORIUCHI
MIHOKO E. ITO
CHRISTINE OGAWA KARAMATSU

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TO:	Senator David Ige Chair, Committee on Ways and means Hawaii State Capitol, Room 215
	Via Email: <u>*WAMTestimony@Capitol.hawaii.gov*</u>
FROM:	Gary M. Slovin
DATE:	March 16, 2011
RE:	H.B. 1270, H.D. 1 – Relating to Taxation Hearing on Thursday, March 17, 2011 at 9:00 a.m., Room 211

Dear Chair Ige and Members of the Committee on Ways and Means:

I am Gary Slovin, testifying on behalf of Covanta Energy Corporation, the operator of the HPOWER waste-to-energy facility at Campbell Industry Park. The construction of the third boiler is well underway, providing many good-paying construction jobs.

Covanta respectfully **opposes** pg. 7, lines 13 through 17 of H.B. 1270, H.D. 1. This provision would repeal tax exemptions that apply to the operations of the HPower waste–to-energy plant in Campbell Industrial Park. 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.

Therefore, we oppose the repeal of these sections.

Thank you very much for the opportunity to submit testimony.

GOODSILL ANDERSON QUINN & STIFEL
A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:
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MEMORANDUM

TO: Senator David Y. Ige
Chair, Committee on Ways & Means
Hawaii State Capitol, Room 215
Via Email: *WAMTestimony@Capitol.hawaii.gov*

FROM: Gary M. Slovin / Mihoko E. Ito

DATE: March 16, 2011

RE: **H.B. 1270, H.D. 1 – Relating to Taxation**
Hearing: Thursday, March 17, 2011 at 9:00 a.m.

Dear Chair Ige and Members of the Committee on Ways and Means:

We respectfully submit this testimony on behalf of Wyndham Worldwide. Wyndham Worldwide offers individual consumers and business-to-business customers a broad suite of hospitality products and services across various accommodation alternatives and price ranges through its portfolio of world-renowned brands. Wyndham Worldwide has substantial interests in Hawaii that include Wyndham Vacation Ownership, with its resorts on the Islands of Kauai, Oahu, and Hawaii, such as the Wyndham at Waikiki Beach Walk.

Wyndham respectfully **opposes** pg. 7, lines 1 through 4 of H.B. 1270, H.D. 1. This would repeal tax exemptions that apply to Wyndham's operations.

These exemptions apply to reimbursements of sums paid for condominium common expenses, as well as certain sums that are transferred from the owner of the properties to the operator of the properties.

Specifically in the latter case, included in these sums are amounts paid that reflect what is owed to employees in the way of salary and benefits. Without an exemption from tax on these amounts, it would either take away from the amounts available to be paid to employees both in salary and benefits and, in most cases, actually result in the owner paying sums directly to employees and other persons to whom these sums are due rather than having those sums paid by the operator here in Hawaii. It is to everyone's benefit that those sums be paid by the local operator to the local employees and local vendors. In Wyndham's case it is also a very limited exemption based upon an aggregate cap of the tax amount.

Therefore, we oppose the repeal of these sections.

Thank you very much for the opportunity to submit testimony.

FORESTCITY
HAWAII

Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

HB 1270, H.D. 1, Relating to Taxation

Chair Ige, Vice Chair Kidani and Members of the Committee. My name is Stacey Katakura White. I am the Chief Financial Officer of Forest City Hawaii, a company that employs nearly 250 people and over 1,000 laborers in the various building trades signatory to a Project Labor Agreement and, since 2004, has been involved in building, renovating and managing nearly 7,000 military family homes in Hawaii. We are currently engaged in the planning and approval process for more than 2,300 new residential, workforce housing units in Kona, at least half of which will be affordable.

The development and construction of these housing units is not possible without the incentives provided by the general excise tax exemption (GET) for certified and approved housing projects and the low-income housing tax credit.

Without the tax exemption our Kona project, which is a partnership with the state's Hawaii Housing Finance and Development Corporation, will fail. Even with the repeal date set back to 2016, it will be difficult for investors and bankers to commit to long-term financing during this period of uncertainty.

We respectfully ask that the repeal provision be deleted from the bill. Our Kona project, as well as many others we hope to develop will generate much-needed affordable housing for families and kupuna, as well as provide hundreds of jobs and other business opportunities.

If the repeal of the general excise tax exemption and low-income housing tax credits cannot be deleted, please consider at least grandfathering those projects that have already been approved based on the availability of the tax credits and exemptions. The following language would accomplish that purpose:

(Insert at Page 9, line 5): ***"...December 31, 2016, provided that the potential repeal of the tax credit in paragraphs (5) and (7) of this subsection and the tax exemption in paragraph (6) of this subsection shall not apply to those projects approved before January 1, 2017."***

We respectfully ask that you delete the provisions related to the GET exemption for affordable housing (Section 3(d)(6) and (7)) and the low-income housing tax credit(Section 3(d)(5)) or amend the bill with the above language.

Thank you for providing the opportunity to testify.

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(808) 839-8771 fax: (808) 836-7008

STANFORD CARR DEVELOPMENT, LLC

March 16, 2011

Senate Committee On Ways And Means
State Capitol, Hearing Conference Room 211
415 South Beretania Street
Honolulu, Hawaii 96813

RE: Testimony Opposing HB1270 HD1: Relating To Taxation.
Hearing date Friday Thursday, March 17, 2011 at 9:00 a.m.
via Capitol website: http://www.capitol.hawaii.gov/emailtestimony/

Dear Honorable Chair Senator David Y. Ige:

We are writing in **OPPOSITION** to HB1270 HD1 which includes a provision to repeal the State Low Income Housing Tax Credit program (HRS Section 235-110.8). The Low Income Housing Tax Credit program is an important and integral funding source to the development of affordable housing. The funds are used with other affordable housing programs (i.e. Hula Mae Multi-Family (HMMF) Tax-exempt Bond program, Rental Housing Trust Fund, Dwelling Unit Revolving Fund, etc.) for the new construction or preservation of affordable housing throughout the state. During this challenging economic climate, construction of these projects is important to the local economy by providing valuable construction jobs, preserving the tax credit program is very important.

We have enclosed an excerpt from the Building Industry Association of Hawaii's *The Local Impact of Home Building in Honolulu County, Hawaii* (prepared in conjunction with the National Association of Home Builders). It quantifies the financial and jobs impact that construction projects have on the local economy, a copy of the full report is available upon request.

Thank you for considering our testimony. Please feel free to contact Jesse Wu (808-547-2274) if you have any questions.

Sincerely,

Stanford S. Carr, President

Jesse Wu, Vice President | Special Projects

BIA-Hawaii: **INSIGHTS INTO OAHU HOME BUILDING**
Friday, December 10, 2010 (10:30am-12Noon)
Dole Cannery Ballrooms, 650 Iwilei Road #125, Honolulu, HI
Special presentation featuring National Economist Elliot Eisenberg, Ph.D. (Senior Economist, National Association of Home Builders, Washington DC).

NAHB

The Local Impact of Home Building in Honolulu County, Hawaii

Income, Jobs, and Taxes Generated

Detailed Tables on Multifamily Construction

Impact of Building 146 Multifamily Units in Honolulu County, Hawaii

Summary

Total One-Year Impact: Sum of Phase I and Phase II:

Local Income	Local Business Owners' Income	Local Wages and Salaries	Local Taxes[1]	Local Jobs Supported
$52,500,400	$16,024,900	$36,474,900	$3,182,100	724

Phase I: Direct and Indirect Impact of Construction Activity:

Local Income	Business Owners' Income	Local Wages and Salaries	Local Taxes[1]	Local Jobs Supported
$36,106,300	$10,398,500	$25,707,500	$2,125,400	485

Phase II: Induced (Ripple) Effect of Spending the Income and Taxes from Phase I:

Local Income	Business Owners' Income	Local Wages and Salaries	Local Taxes[1]	Local Jobs Supported
$16,394,100	$5,626,400	$10,767,400	$1,056,700	239

Phase III: Ongoing, Annual Effect that Occurs When New Homes are Occupied:

Local Income	Local Business Owners' Income	Local Wages and Salaries	Local Taxes[1]	Local Jobs Supported
$6,029,200	$1,840,300	$4,189,000	$776,500	94

[1] The term local taxes is used as a shorthand for local government revenue from all sources: taxes, fees, fines, revenue from government-owned enterprises, etc.

Impact of Building 146 Multifamily Units in Honolulu County, Hawaii
Phase I—Direct and Indirect Impact of Construction Activity

A. Local Income and Jobs by Industry

Industry	Local Income	Local Business Owners' Income	Local Wages and Salaries	Wages & Salaries per Full-time Job	Number of Local Jobs Supported
Construction	$24,397,400	$6,292,600	$18,104,800	$54,000	334
Manufacturing	$3,600	$200	$3,400	$56,000	0
Transportation	$53,600	$7,200	$46,400	$47,000	1
Communications	$367,700	$112,300	$255,400	$82,000	3
Utilities	$116,000	$44,900	$71,000	$93,000	1
Wholesale and Retail Trade	$3,581,000	$655,600	$2,925,300	$40,000	73
Finance and Insurance	$814,400	$66,700	$747,700	$91,000	8
Real Estate	$2,053,200	$1,807,500	$245,700	$57,000	4
Personal & Repair Services	$250,100	$94,400	$155,700	$36,000	4
Services to Dwellings / Buildings	$146,800	$29,200	$117,600	$36,000	3
Business & Professional Services	$3,474,200	$1,037,400	$2,436,700	$63,000	38
Eating and Drinking Places	$119,900	$16,100	$103,800	$22,000	5
Automobile Repair & Service	$118,200	$36,700	$81,500	$36,000	2
Entertainment Services	$20,700	$4,200	$16,400	$49,000	0
Health, Educ. & Social Services	$4,600	$1,200	$3,400	$42,000	0
Local Government	$52,800	$0	$52,800	$59,000	1
Other	$532,100	$192,300	$339,900	$49,000	7
Total	$36,106,300	$10,398,500	$25,707,500	$53,000	485

B. Local Government General Revenue by Type

TAXES:		USER FEES & CHARGES:	
Business Property Taxes	$90,000	Residential Permit / Impact Fees	$1,437,700
Residential Property Taxes	$0	Utilities & Other Govt. Enterprises	$335,400
General Sales Taxes	$124,900	Hospital Charges	$0
Specific Excise Taxes	$30,000	Transportation Charges	$3,000
Income Taxes	$0	Education Charges	$0
License Taxes	$70,600	Other Fees and Charges	$33,900
Other Taxes	$0	TOTAL FEES & CHARGES	$1,809,900
TOTAL TAXES	$315,500	TOTAL GENERAL REVENUE	$2,125,400

Impact of Building 146 Multifamily Units in Honolulu County, Hawaii
Phase II—Induced Effect of Spending Income and Tax Revenue from Phase I

A. Local Income and Jobs by Industry

Industry	Local Income	Local Business Owners' Income	Local Wages and Salaries	Wages & Salaries per Full-time Job	Number of Local Jobs Supported
Construction	$775,600	$303,200	$472,300	$54,000	9
Manufacturing	$3,400	$300	$3,100	$56,000	0
Transportation	$49,800	$6,800	$43,000	$44,000	1
Communications	$1,002,300	$343,800	$658,500	$81,000	8
Utilities	$542,000	$213,600	$328,400	$93,000	4
Wholesale and Retail Trade	$2,860,500	$538,800	$2,321,700	$36,000	65
Finance and Insurance	$712,800	$64,400	$648,400	$82,000	8
Real Estate	$3,018,200	$2,656,900	$361,200	$57,000	6
Personal & Repair Services	$603,100	$278,100	$325,000	$36,000	9
Services to Dwellings / Buildings	$146,400	$29,100	$117,300	$36,000	3
Business & Professional Services	$1,482,200	$444,800	$1,037,400	$57,000	18
Eating and Drinking Places	$838,000	$112,700	$725,300	$22,000	33
Automobile Repair & Service	$412,900	$125,800	$287,100	$36,000	8
Entertainment Services	$196,600	$54,200	$142,400	$41,000	4
Health, Educ. & Social Services	$2,392,900	$294,300	$2,098,500	$53,000	39
Local Government	$906,600	$0	$906,600	$56,000	16
Other	$450,800	$159,600	$291,200	$39,000	8
Total	$16,394,100	$5,626,400	$10,767,400	$45,000	239

B. Local Government General Revenue by Type

TAXES:		USER FEES & CHARGES:	
Business Property Taxes	$306,500	Residential Permit / Impact Fees	$0
Residential Property Taxes	$0	Utilities & Other Govt. Enterprises	$551,300
General Sales Taxes	$0	Hospital Charges	$0
Specific Excise Taxes	$102,200	Transportation Charges	$1,400
Income Taxes	$0	Education Charges	$0
License Taxes	$69,200	Other Fees and Charges	$26,000
Other Taxes	$100	TOTAL FEES & CHARGES	$578,700
TOTAL TAXES	$478,000	TOTAL GENERAL REVENUE	$1,056,700

Impact of Building 146 Multifamily Units in Honolulu County, Hawaii
Phase III—Ongoing, Annual Effect That Occurs Because Units Are Occupied

A. Local Income and Jobs by Industry

Industry	Local Income	Local Business Owners' Income	Local Wages and Salaries	Wages & Salaries per Full-time Job	Number of Local Jobs Supported
Construction	$341,000	$132,000	$209,100	$54,000	4
Manufacturing	$1,400	$100	$1,300	$56,000	0
Transportation	$18,500	$2,500	$16,000	$47,000	0
Communications	$380,100	$129,800	$250,300	$81,000	3
Utilities	$238,600	$93,800	$144,800	$93,000	2
Wholesale and Retail Trade	$1,173,700	$221,100	$952,600	$36,000	27
Finance and Insurance	$378,200	$34,300	$343,800	$81,000	4
Real Estate	$691,300	$608,600	$82,700	$57,000	1
Personal & Repair Services	$190,100	$88,100	$101,900	$36,000	3
Services to Dwellings / Buildings	$63,200	$12,600	$50,600	$36,000	1
Business & Professional Services	$560,000	$171,400	$388,600	$57,000	7
Eating and Drinking Places	$345,500	$46,500	$299,100	$22,000	14
Automobile Repair & Service	$162,200	$49,400	$112,800	$36,000	3
Entertainment Services	$101,700	$27,900	$73,800	$38,000	2
Health, Educ. & Social Services	$881,100	$112,000	$769,200	$52,000	15
Local Government	$214,400	$0	$214,400	$56,000	4
Other	$288,200	$110,200	$178,000	$38,000	5
Total	$6,029,200	$1,840,300	$4,189,000	$44,000	94

B. Local Government General Revenue by Type

TAXES:		USER FEES & CHARGES:	
Business Property Taxes	$115,000	Residential Permit / Impact Fees	$0
Residential Property Taxes	$231,300	Utilities & Other Govt. Enterprises	$355,900
General Sales Taxes	$0	Hospital Charges	$0
Specific Excise Taxes	$38,300	Transportation Charges	$500
Income Taxes	$0	Education Charges	$0
License Taxes	$25,800	Other Fees and Charges	$9,700
Other Taxes	$0	TOTAL FEES & CHARGES	$366,000
TOTAL TAXES	$410,400	TOTAL GENERAL REVENUE	$776,500

VITUS

INNOVATIVE DEVELOPMENT

Senate Committee on Ways and Means
Testimony in Opposition to HB 1270, HD1

Relating to Taxation

Testimony Submitted by:	Makani Maeva, Director of Vitus Development, LLC
Hearing Date:	March 17, 2011
Time:	9:00 a.m.
Room:	Conference Room 211

Dear Honorable Chair Ige, Vice Chair Kidani & Committee members:

My name is Makani Maeva and I am the Director of Vitus Development, LLC ("Vitus"), a private affordable housing developer. Thank you for this opportunity to submit testimony in strong opposition to HB 1270, HD1 that provides for repeal of low income housing tax credits ("LIHTCs") and repeal of general excise tax ("GET") exemptions for certified or approved low-income housing projects; both to be repealed on December 31, 2016.

Vitus strongly opposes HB 1270, HD1 because the state LIHTC is a crucial tool necessary to produce and preserve affordable housing in the state of Hawaii and the GET exemption is necessary to ensure that affordable housing production, preservation and operation remains economically feasible. Repealing state LIHTCs and the GET exemption would significantly hamper, if not make it impossible, to develop much needed affordable housing within our state.

Vitus has over 5,100 units in 13 states, including the Kekaha Elderly Plantation (36 units) on the island of Kauai and the Lokahi Apartments in Kailua-Kona (306 units). We are also the local development partner involved in the rehabilitation of Kuhio Park Terrace (555 units) and under contract to purchase the Whitmore Circle Apartments in Wahiawa (44 units), and the Banyan Street Manor Apartments in Kalihi (55 units).

As an active affordable housing developer specializing in both new construction and the rehabilitation and preservation of affordable housing we understand firsthand how the high cost of land and construction materials in Hawaii has made it extremely difficult to keep pace with the need for affordable housing. The state LIHTC and GET exemption for affordable housing projects have been crucial tools. To illustrate, we recently completed construction of the Lokahi Apartments, a brand new 306 affordable rental project in Kailua-Kona. Construction of these new units was financed, in part, by the sale of federal and state LIHTCs. The sale of

State LIHTC's raised nearly $5,000,000 from a nationwide institutional investor. The GET exemption helped contain the cost of construction of these affordable units, 5% of which are rented to individuals who earn 30% or less of the area median income and 95% of which are rented to individuals who earn 60% or less of the area median income.

The state LIHTC is a critical financing tool but the effects on the overall economic picture should not be overlooked. The $61,000,000 Lokahi project brought a total of $26,000,000 of outside investment in 2009 to the Kona community. This occurred at a time when the economy of the Big Island shrunk dramatically, unemployment doubled and the need for affordable housing was at an all time high. Hard construction costs for Lokahi were $42,000,000. Using DBEDT's econometric model from the Research & Economic Analysis Division Lokahi produced 337 Direct Jobs and 818 Indirect Jobs. Those jobs generated $39,370,000 of Income and those taxpayers paid State Taxes of $7,175,000 in the first year.

The State LIHTC is critical resource to financing affordable housing, creating jobs and building communities. We thank the Committee for considering our testimony and urge you to you to oppose Sections 3(d)(5) and 3(d)(6) of HB 1270, HD1.

Thank you for considering my testimony. If you have any questions, please feel free to contact me at (808) 381-5958.

Healthcare Association
of Hawaii

SENATE COMMITTEE ON WAYS AND MEANS
Senator David Ige, Chair

Conference Room 211
March 17, 2011 at 9:00 a.m.

Opposing the repeal of certain GET exemptions in HB 1270 HD 1.

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Our members employ more than 40,000 people statewide, delivering quality care to the people of Hawaii. Thank you for this opportunity to testify in opposition to Section 3 (b) (2) of HB 1270 HD 1, which repeals the GET exemption on amounts received by certain health care providers that sell prescription drugs, and Section 3 (b) (3) of the bill, which repeals the GET exemption on taxes on nursing facility income imposed by Chapter 346E, HRS, the Hospital and Nursing Facility Tax.

Prescription Drugs. Many individuals take prescription drugs for chronic medical conditions, such as heart disease, diabetes, chronic obstructive pulmonary disease (COPD), and asthma, that have life or death implications. The exemption from the GET for prescription drugs is intended to allow as full access as possible to these life-sustaining drugs. The application of the GET to prescription drugs will only increase the barrier to obtaining necessary prescriptions. According to a study published in the Annals of Internal Medicine, cost is the strongest predictor of prescription abandonment. Without the exemption, the health status of Hawaii's population can be expected to decline and could lead to an increase in the utilization of emergency rooms.

Nursing facilities. Nursing facilities provide care to people who require constant nursing care and have significant deficiencies with activities of daily living. Residents include the elderly and younger adults with physical or mental disabilities. They may also receive physical, occupational, and other rehabilitative therapies following an accident or illness. Nationally, Medicaid pays for the care for aboutl 60% of nursing facility residents. As such, most nursing facilities operate on very thin margins. Although the Hospital and Nursing Facility Tax has not been collected for some years now, it may be re-started one day, and the GET exemption should continue.

For the foregoing reasons, the Healthcare Association opposes the repeal of the GET exemptions described above.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 16, 2011 3:35 PM
To: WAM Testimony
Cc: ba@iatse665.org
Subject: Testimony for HB1270 on 3/17/2011 9:00:00 AM

Testimony for WAM 3/17/2011 9:00:00 AM HB1270

Conference room: 211
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Henry Fordham
Organization: IATSE Local 665
Address:
Phone:
E-mail: ba@iatse665.org
Submitted on: 3/16/2011

Comments:
Aloha Chairman Ige, Vice-Chairman Kidani, & other Members of the Committee,

I am Henry Fordham, Acting Business Representative for IATSE Local 665, The Union Behind Entertainment. I am here today, to express our support for Act 88, the basic refundable tax credit started in 2006 because:
- It is a revenue generator and part of the solution to the economic challenge we are in;
- It is a fiscally responsible, sustainable credit that does not give out more money than it brings in;
- It provides significant economic stimulus infusing new monies into the economy;
- It creates thousands of direct industry jobs that pay a living wage and supports thousands more in the hundreds of businesses that interact with the film industry;
- It supports existing visitor industry infrastructure (hotels, airlines, rental cars, restaurants, etc);
- It provides millions of dollars of free advertising for Hawaii;
- It contributes to workforce development and supports educational programs in film and digital media;
- It applies statewide, bringing significant film and television projects to all four Hawaii counties The Department of Business, Economic Development and Tourism expresses it perfectly in their opposition testimony to this bill, "Hawaii has built and sustained an excellent global reputation for its film industry. A repeal of Section 235-I 7, HRS, motion picture, digital media, and film production income tax credit (Act 88), would severely impact Hawaii's ability to remain competitive in the global landscape of film and television production, by suspending all tax incentives for film, television and digital media production. The Act 88 tax incentive has helped to attract more than $700 miIlion in direct production expenditures since its effective date of July I, 2006, delivering a cumulative economic impact of$1.2 biIlion, keeping people employed by contributing over 6,000 jobs in production, small business and visitor industries statewide. This credit remains crucial to Hawaii's ability to maintain and grow a clean industry that has a proven track record of riving economic development and developing our workforce".
Thank you for for time and serious consideration in this matter.

Henry Fordham

From: Garner [gs-msm@hawaii.rr.com]
Sent: Tuesday, March 15, 2011 4:50 PM
To: WAM Testimony
Subject: HB 1270

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR: Master Sheet Metal, Inc.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Garner Shimizu, and I am the Vice President of the Master Sheet Metal, Inc..

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

I would like to emphasize the critical economic challenges we face as a State, construction industry, as well as an individual business. We are literally fighting for our survival, and we need government policy to help and promote business versus hindrances.

Thank you for the opportunity to testify.

Garner Shimizu
Master Sheet Metal, Inc.
1648 Auiki St./ Honolulu HI 96819
Tel: (808) 847-2128
Fax: (808) 847-0297
Cell: (808) 479-0130
email: gs-msm@hawaii.rr.com

MSM

CONTRACTOR'S
LICENSE NO. C-5392

MASTER SHEET METAL, INC.
1648 AUIKI ST, HONOLULU, HI 96819 / TELEPHONE 847-2128 / FAX 847-2131 / msm@hawaii.rr.com

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR: Master Sheet Metal, Inc.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Skye Matsumoto, and I am the Treasurer of Master Sheet Metal, Inc.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

COASTAL CONSTRUCTION COMPANY, INC.

1900 HAU STREET • HONOLULU, HAWAII 96819 • (808) 847-3277

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR Coastal Construction Company, Inc.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Kenneth M. Sakurai, and I am the President of the Coastal Construction Company, Inc.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please <u>remove the repeal</u> of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.
COASTAL CONSTRUCTION COMPANY, INC.

Kenneth M. Sakurai
President

Electricians, Inc.
2875 Paa Street - Honolulu, HI 96819
Telephone (808) 839-2242 - Fax (808) 839-1344

March 15, 2011

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Lance Yamamura, and I am the Controller of Electricians, Inc.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Sincerely,

Lance Yamamura
Controller

Unitek
CONTRACTING GROUP

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR: Unitek Insulation, LLC

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Clayton Murobayashi, and I am the President of the Unitek Insulation, LLC.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please <u>remove the repeal</u> of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

UNITEK INSULATION, LLC | UNITEK TECHNICAL SERVICES, LLC | UTS MARITIME SERVICES, LLC | UNITEK SUPPLY
P.O. BOX 29177 | HONOLULU | HAWAII 96820 | PH: (808) 831-3076 | FX: (808) 831-3080 | www.unitekhawaii.com

TAKANO
NAKAMURA
Landscaping

March 16, 2011

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR Takano Nakamura Landscaping, Inc.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Craig M. Nakanishi, and I am the Senior Vice President of Takano Nakamura Landscaping, Inc.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please <u>remove the repeal</u> of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Sincerely,

Craig M. Nakanishi

Craig M. Nakanishi

From:	Chuck Dickey [cdtrudoor@hawaiiantel.net]
Sent:	Wednesday, March 16, 2011 7:43 AM
To:	WAM Testimony
Subject:	HB 1270 - Opposition of Tax Credit Exemption

TRU – DOOR

======HAWAII======

91-295 Kauhi Street
Kapolei, Hawaii 96707
TEL. (808) 682-0307 FAX (808) 682-0635

March 16, 2011

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 A.M.
FR: Tru-Door Hawaii, Inc.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, My name is Charles Dickey, and I am the President of Tru-Door Hawaii, Inc..

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the oportunity to testify.

WE Painting, Inc.

94-416 Ukee St., Suite 201/Waipahu, Hawaii 96797/Phone (808)671-6785/Contractor's Lic C-9213

16-Mar-11
TO: Senate Committeeon Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR: WE Painting, Inc.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Donald Takamiya, and I am the Vice President of WE Painting, Inc.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many of our workers.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify

WE Painting, Inc.

Donald K. Takamiya
Vice President

Navajo Hawaiian Native Corp

Native American · 8(a) · Hub Zone · Woman-Owned

March 15, 2011

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR NAVAJO HAWAIIAN NATIVE CORP

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Sheree Fong, and I am the Vice-President of the Navajo Hawaiian Native Corp.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Sheree L. Fong

Pacific Office · (808) 946-2300 · (808) 356-0253 fax
PO Box 10087 Honolulu, Hawaii 96816

AMT Truss JV LLC

March 15, 2011

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR AMT Truss JV LLC

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Gerald Lam, and I am the Principle Member of AMT Truss JV LLC.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please <u>remove the repeal</u> of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Gerald M. Lam

Pacific Office · (808) 682-8844 · (808) 356-0385 fax
PO Box 75537 Kapolei, Hawaii 96707

Honsador Holding LLC
91-291 Hanua Street
Kapolei, Hawaii 96707

Honsador Lumber

March 16, 2011

VIA: Email to WAMTestimony@Capitol.hawaii.gov

Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee:

I am writing in opposition of HB 1270 as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

Not only is this a benefit to the many low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to supply building materials which in turn enables us to employ over 250 people necessary to service our customers statewide.

Please **remove the repeal** of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Sincerely,

Scott A. Choi

Scott A. Choi
Chief Financial Officer

PARSONS

1600 Pennsylvania Avenue, Kailua, HI 96734 Office (808) 254-7820 Fax (808) 254-7848 www.parsons.com

TO: Senate Committee on Ways and Means
Wednesday, March 16, 2011
9:00 a.m.

FR Parsons.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is William Scott, and I am the Senior Program Manager of Parsons.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Yours Truly,

William G. Scott

William G. Scott

PARSONS

1132 Bishop Street, Suite 901 • Honolulu, Hawaii 96813 • (808) 748-7570 • Fax: (808) 748-7575 • www.parsons.com

March 16, 2011

Senate Committee on Ways and Means
Email: WAMTestimony@capitol.hawaii.gov
Fax: (808) 586-6659

RE: ***HB 1270, Relating to Taxation***

Mr. Chairman and Members of the Committee:

Please allow me to testify in opposition to HB 1270, which applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide important incentives that make it possible to build homes that would not be otherwise financially feasible.

The existing programs are a benefit to the low-income families and seniors in our communities who most need this kind of support during this tough economic time. These programs also help keep companies like mine in business and allow us to provide jobs for many skilled craftsmen of all trades.

Please do not repeal the Low-Income Housing Tax Credit and the General Excise Tax exemption for affordable housing projects.

Mahalo,

Thomas McCabe

Thomas McCabe, P.E.
Senior Vice President

A-PLUS SEAMLESS RAINGUTTERS, INC.
[illegible]
[illegible]
[illegible]
[illegible]
[illegible]

To: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

Fr: A-Plus Seamless Raingutters, Inc.

Re: HB 1270, Relating to Taxation

Aloha,

Mr. Chairman and Members of the Committee, my name is Benjamin Ishida, and I am the President of A-Plus Seamless Raingutters, Inc.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Ben Ishida

Benjamin Ishida
President
A-Plus Seamless Raingutters, Inc.

96-1225 C Waihona Street
Pearl City, Hawaii 96782
Ph:# (808) 454-0845 / Fax:# (808) 454-0946

TO: Senate Committee on ways and Means
Thursday March 17, 2011
9:00a.m.

FR: Gima Pest Control, Inc.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is David Gima, and I am the President of the Gima Pest Control, Inc.

Thank you for the opportunity to testify in opposition to HB 1270, as is applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Sincerely,

David T. Gima
President

Honolulu Tile & Marble, Inc.
1602-B AUIKI STREET
HONOLULU, HAWAII 96819

Phone: 845-3775
FAX: 841-4431

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR HONOLULU TILE & MARBLE, INC.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Frank Hedani, and I am the President of the HONOLULU TILE & MARBLE, INC.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please <u>remove the repeal</u> of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Sincerely,

Frank Hedani
President

Pankow

March 16, 2011

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR Charles Pankow Builders, Ltd.
615 Piikoi Street, Suite 701
Honolulu, HI 96814

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Mike Betz, and I am the Vice President of Charles Pankow Builders, Ltd.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Respectfully submitted,
CHARLES PANKOW BUILDERS, LTD.
A California Limited Partnership

Mike R Betz

Michael R. Betz, Vice President
Pankow Operating Inc., General Partner

DELTA
CONSTRUCTION
CORPORATION

91-255 Oihana Street, Kapolei, Hawaii 96707 ▲ Tel: 808.682.1315 ▲ Fax: 808.682.5629 ▲ Toll Free: 1.800.342.1513

March 16, 2011

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR: Delta Construction Corporation

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Kenneth J. Kobatake, and I am the President of Delta Construction Corporation.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Very truly yours,

DELTA CONSTRUCTION CORPORATION,

Kenneth J. Kobatake

By KENNETH J. KOBATAKE
President

KJK:lmm

Alan Shintani INC.
GENERAL CONTRACTOR BC 13068

March 16, 2011

Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Alan Shintani, and I am the President of Alan Shintani, Inc.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Alan Shintani

Alan Shintani
President
Alan Shintani, Inc.

94-409 AKOKI STREET • WAIPAHU, HAWAII 96797 • TEL (808) 841-7631 FAX (808) 841-0014

AGM
ALI'I GLASS AND METAL, INC.
2159 LAUWILIWILI STREET KAPOLEI, HAWAII 96707
(808) 671-4571 FAX (808) 671-5173

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR *Alii Glass & Metal, Inc.*

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is *Damon K. Ishida*, and I am the *President* of the Alii Glass & Metal, Inc..

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ many laborers and skilled craftsmen of all kinds.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

Sincerely,

Damon. Ishida
President

ISI HAWAII water solutions

TO: Senator David Y. Ige, Chair
Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FR Ken Ota
ISI Hawaii Water Solutions

RE: HB 1270, Relating to Repeal Taxation Section 235-110.8 and 237-29

Mr. Chairman Ige and Members of the Committee, my name is Ken Ota and I am the General Manager for ISI Hawaii Water Solutions. We are a local distributor of Waterworks and Irrigation supplies.

Thank you for the opportunity to testify in opposition to HB 1270, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business.

Please remove the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for your time and consideration.

Sincerely

Ken Ota

12550 Kuala St. Pearl City HI 96782 808-454-1255

VAN'S FLOORING & TILE, INC.
91-1174 Kai'opua Street Ewa Beach, HI 96706-2057
Telephone: 808.689.4187 Fax: 808.689 0868
Contractor License #22131

March 16, 2011

TO: Senate Committee on Ways and Means
Thursday, March 17, 2011
9:00 a.m.

FROM: Van's Flooring & Tile, Inc.

RE: HB 1270, Relating to Taxation

Mr. Chairman and Members of the Committee, my name is Michael Berner, Vice President of Van's Flooring & Tile, Inc.

Thank you for the opportunity to testify **in opposition to HB 1270**, as it applies to the repeal of Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects.

Both of these programs provide the incentives that make it possible to build the rental housing and homes that would not be otherwise financially feasible.

This is a benefit to the low-income families and seniors in our communities, but it also keeps companies like mine in business and allows us to employ a considerable number of laborers and skilled craftsmen of all kinds.

Please *remove* the repeal of the Low-Income Housing Tax Credit and the repeal of the General Excise Tax exemption for affordable housing projects before passing this bill.

Thank you for the opportunity to testify.

MB - M Berner

TESTIMONY OF WILLIAM G. MEYER, III

HEARING DATE/TIME: Thursday, March 17, 2011
9:00 a.m. in Conference Room 211

TO: Senate Committee on Ways and Means

RE: Testimony re HB1270, HD1

Dear Chair, Vice-Chair and Committee Members:

My name is William G. Meyer, III. I have practiced intellectual property, entertainment and business law in Honolulu for over 30 years and represent both local and major motion picture and television production companies and other members of the creative community.

I strongly **oppose** that portion of HB1270, HD1 which, if passed, would sunset Act 88 on December 31, 2013. Even though the proposed sunset date is a little less than two (2) years away, major projects are planned years in advance. By moving the sunset date up by three (3) years the State is telling industry "Don't plan to bring your business to Hawaii after December 31, 2013." How will industry respond to this message? Production companies will simply cross Hawaii off their list of possible production locations and take their business elsewhere. Industry does not like uncertainty and HB1270, HD1 makes the future of Hawaii's creative industries unpredictable and therefore unreliable.

The threat of sun setting Act 88, and indeed the sunsetting of Act 88, will decimate the motion picture and television industry in the State of Hawaii, an industry which last year provided over $400,000,000 in direct economic activity at a time when all other sectors of the economy, other than tourism, are in decline. In addition, you are familiar with the positive synergistic effect the entertainment industry has on the tourism industry and, accordingly, damaging the motion picture and television industry will likewise damage the tourism industry.

Please save these vital industries by killing the portion of HB 1270 that sunsets Act 88.

Respectfully submitted,

/s/ William G. Meyer, III

William G. Meyer, III

From: Dean Des Jarlais [dean@hawaiimedia.com]
Sent: Wednesday, March 16, 2011 2:16 PM
To: WAM Testimony
Subject: House Bill 1270

Aloha Committee members,
I am writing in strong opposition to HB 1270 which is being heard on Thursday, March 17, 2011 in the Conference Room 211 at the State Capital.

I am an owner of a business, Hawaii Media Inc., which supplies camera, grip, and lighting equipment to the film and television industry in Hawaii.
In 2010, Hawaii enjoyed a record year for business in film and TV production. This success is directly related to Act 88, whereby producers are able to claim a 15 or 20% tax credit on qualified expenses for productions shot in Hawaii. This measure has allowed Hawaii to compete as a location for film production against many states and countries which offer even greater incentives.

If Act 88 were repealed, the consequences would be immediate and dire. Currently many Hollywood studios have already put projects destined to be shot in Hawaii "on hold" until the State Legislature decides on these incentives. Cancellation of Act 88 would cause the immediate cancellation of these films. They would simply find a more "production friendly" environment and forget about Hawaii.

Coming on the heels a record year for the film industry, now is the time to maintain or increase the credit to attract more business and create more jobs. Please vote against HB 1270.

Mahalo,
Dean Des Jarlais
Hawaii Media Inc.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 16, 2011 1:45 PM
To: WAM Testimony
Cc: tedwalkey@hmcmgt.com
Subject: Testimony for HB1270 on 3/17/2011 9:00:00 AM

Testimony for WAM 3/17/2011 9:00:00 AM HB1270

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Ted Walkey
Organization: Individual
Address:
Phone:
E-mail: tedwalkey@hmcmgt.com
Submitted on: 3/16/2011

Comments:
The hearing notice was posted on "This report was generated on Mar 16, 2011 at 1:42:36 PM"

This is not enough time to investigate its effects.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 16, 2011 2:31 PM
To: WAM Testimony
Cc: rickcrum@gmail.com
Subject: Testimony for HB1270 on 3/17/2011 9:00:00 AM

Testimony for WAM 3/17/2011 9:00:00 AM HB1270

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: Richard Crum
Organization: Individual
Address:
Phone:
E-mail: rickcrum@gmail.com
Submitted on: 3/16/2011

Comments:
I am opposed to specifically repealing of Section 235-I 7, HRS, motion picture, digital media, and film production income tax credit (Act 88)

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 16, 2011 2:31 PM
To: WAM Testimony
Cc: selfmadephoto@gmail.com
Subject: Testimony for HB1270 on 3/17/2011 9:00:00 AM

Testimony for WAM 3/17/2011 9:00:00 AM HB1270

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: William A. Self
Organization: Individual
Address:
Phone:
E-mail: selfmadephoto@gmail.com
Submitted on: 3/16/2011

Comments:
William A. Self is strongly and vehemently opposed to specifically repealing of Section 235-I 7, HRS, motion picture, digital media, and film production income tax credit (Act 88).....We have an excellent revenue stream of a viable and sustainable industry that does well in an economic recession or depression...please do not be penny wise and Pound foolish.
Mahalo for your wisdom and guidance!
Sincerely,
William A Self
Resident Haiku, Maui.

From: Danny Rosner [Danny@hawaiimedia.com]
Sent: Wednesday, March 16, 2011 3:49 PM
To: WAM Testimony
Subject: Re. Strong opposition to HB 1270

Re. Strong opposition to HB 1270.

Aloha Committee Members,

I am the President of Hawaii Media Inc., a small business which rents camera, lighting, and grip equipment for the motion picture film production industry. Last year due to the current tax credit (Act 88) we enjoyed our most profitable year ever. We attribute this success to the lure of the tax incentive. All one need do to verify this is to look at where films are made nowadays. Essentially, studios search for the country and/or state that offers them the best value for their investment. Once they do choose our shores, large amounts of cash are infused from outside the state, creating true growth for our economy. We also know that studios are currently waiting for state legislatures across the country before deciding where they will spend their budgets for the next year.

Therefore, now is the time to expand Act 88, rather than to consider contracting it.

Thank you for your time.

Mahalo,
Daniel Rosner
President, Hawaii Media Inc.