

NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

FREDERICK D. PABLO  
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
DEPUTY DIRECTOR

**LATE TESTIMONY**

To: The Honorable Marcus Oshiro, Chair  
And Members of the House Finance Committee

Date: Monday, February 27, 2012  
Time: 1:00 p.m.  
Place: Conference Room 309, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

**Re: H.B. 2869 H.D. 1 Relating to the Economy**

The Department of Taxation (Department) appreciates the intent of H.B. 2869 H.D. 1, but the Department would prefer adoption of H.B. 2479, which takes a more measured approach to supporting the creative media industry.

H.B. 2869 H.D.1 extends the sunset date of Act 88, SLH 2006, by nine years, from December 31, 2015 to December 31, 2024 and it increases the credit amount for Oahu by 5% (from 15% to 20%). The bill carved out the wages and salaries of all cast, crew, and musicians from the production costs for the purposes of claiming the credit. The credit amount for the wages and salaries equals 15% of the wages and salaries. The bill provides an additional 5% tax credit of the Hawaii residents' wages and salaries. To maintain consistency, the Department requests that "resident" be as defined in HRS §235-1, rather than HRS §103B-1, and "who has filed tax returns in the State for the previous five sequential taxable years".

This bill increased the cap per qualified production from \$8 million to \$10 million. It also requires the Department of Business Economic Development and Tourism to submit a report to the Governor and Legislature every 5 years beginning with 2015.

This bill will take effect upon approval and will apply to taxable years beginning after December 31, 2012. The increase in the credit amount for Oahu would have a fiscal impact.

Thank you for the opportunity to provide comments.



**Tetris Online, Inc.**  
55 Merchant Street, Suite 2100  
Honolulu, Hawaii 96813

February 27<sup>th</sup>, 2012

TO: Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee, Vice Chair  
Members of the Committee on Finance

DATE: Friday, February 24<sup>th</sup>, 2012

TIME: 1P<

PLACE: Conference Room 308, State Capitol

RE: H.B. No. 2869 H.D. 1 – Relating to the Economy

FROM: Dean Hirata, CFO, Tetris Online, Inc.  
Michael J.W. Chun, Marketing Manager, Tetris Online, Inc.

Tetris Online, Inc. continues to support the intent of H.B. No. 2869 H.D. 1 – Relating to the Economy

Founded in January 2006 by Minoru Arakawa, Henk Rogers and Alexey Pajitnov, Tetris Online, Inc. is a developer and publisher of social games and other electronic entertainment properties. Tetris Online is privately held and headquartered in downtown Honolulu.

As of January 2012, Tetris Online has grown to become a top 5 social games developer on Facebook, trailing only such large, publicly traded companies as Zynga and Electronic Arts. Tetris Online's biggest game, Tetris Battle, is currently ranked in the top 10 of highest performing games on Facebook, and users of Tetris Battle play more than 50 million games each day.

Social games are experiencing exponential growth in the lucrative online games segment, which has grown from \$1.84 billion in 2009 and is estimated to reach \$8.64 billion in 2014 (Casual Games Association – Social Gaming Report).

Today, Tetris Online employs 57 people in Hawaii. Nationwide, competition for digital media employees is fierce, which makes it increasingly difficult to attract and retain employees, even the ones who have strong family ties to the islands. HB 2869 HD1 will help create and retain jobs in Hawaii, while increasing the state's revenues. This bill will support Hawaii's small local companies in the digital media industry so they can continue to flourish and provide jobs for Hawaii's talented workforce.

Tetris Online supports the intent of HB 2869 HD1, and would like to suggest the following changes:

Page 14, Lines 3 - 4

**CURRENT:** Cost of editing, visual effects, music, other post-production, and related services;

**PROPOSED:** Cost of or wages or salaries for editing, visual effects, music, art, graphics, programming, development, other post-production, and related products or services.

Thank you very much for the opportunity to testify.