
From: Tina Desuacido [tina500@juno.com]
Sent: Monday, February 07, 2011 9:22 AM
To: ERBtestimony
Subject: Tax Foundation Testimony
Attachments: h0370-11.pdf; h0831-11.pdf; h0983-11.pdf; h1159-11.pdf; h0475-11.pdf

TRANSMISSION OF TESTIMONY

DATE: Monday, February 7, 2011

TO: House Committee on Economic Revitalization & Business

FROM: Tax Foundation of Hawaii

Total Pages 7

FOR: Rep. Angus McKelvey, Chair

Testifier: Lowell L. Kalapa, President - Tax Foundation of Hawaii

(Mr. Kalapa will not appear in person at the hearing.)

Date of Hearing - Tuesday, February 8, 2011

Position: Comments

Time of Hearing - 8:00 am

HB 370 - Relating to the Enterprise Zones (2 pages)

HB 831 - Relating to the General Excise Tax (1 page)

HB 983 - Relating to the Hawaii Strategic Development Corporation (1 page)

HB 475 - Relating to Taxation (1 page)

HB 1159 - Relating to Taxation (2 pages)

Number of copies - 4

Thank you.

TAXBILLSERVICE

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Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Manufacture and export tax credit

BILL NUMBER: HB 475

INTRODUCED BY: Ward, Ching, Fontaine, Johanson, Marumoto, Pine, Riviere, Thielen

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow a taxpayer to claim a tax credit up to 15% of the domestic production gross receipts attributable to the export and sale of a qualifying product to jurisdictions outside the state. Stipulates that a taxpayer or entity: (1) claiming the credit shall be a domestic corporation, domestic professional corporation, domestic limited liability company, domestic nonprofit corporation, domestic business trust, estate, domestic partnership, domestic limited liability partnership, or Hawaii domiciled trust; (2) be subject to taxation under HRS chapter 237; (3) be in current compliance with all applicable laws and regulations of the Department of Commerce and Consumer Affairs; (4) shall have no outstanding tax liability to the state or its political subdivisions; (5) shall incur at least 50% of its operating and manufacturing costs, including, but not limited to, rent, labor, and machinery, from sources within the state; and (6) shall not have been generating income through the export and sale of a qualifying product to jurisdictions outside the state on products for which the credit is claimed under this section.

Credits in excess of a taxpayer's income tax liability shall be applied to subsequent tax liability until exhausted. The director of taxation may adopt rules pursuant to HRS chapter 91 and prepare the necessary forms to claim the credit and may require proof of the claim for the credit.

Defines "domestic production gross receipts," "export," "manufacture," "net income tax liability," "qualifying product" and "significant part" for purposes of the measure.

This section shall not be applicable to tax years beginning after December 31, 2016.

EFFECTIVE DATE: July 1, 2011

STAFF COMMENTS: This measure proposes to allow taxpayers to claim an income tax credit of up to 15% of the gross receipts derived from the sale of a qualifying product of which at least 50% is manufactured in Hawaii. The adoption of the proposed measure would grant preferential tax treatment to a very select group of taxpayers and do so without the taxpayer's need for tax relief. In addition, while there is no limitation on the amount of credit that may be claimed, there is no way to ascertain the cost of the credit which, no doubt, will result in a depletion of state funds at a time when the state can barely afford it - especially at a time when the hunt is on for state funds necessary to provide essential services and programs.

This bill is asking all taxpayers to guarantee the manufacturer a 15% profit margin if one assumes the manufacturer is charging the customer at the very minimum the cost of the making and shipping the product out of state. Wouldn't any business like that kind of guarantee?

Digested 2/7/11

From: Tina Desuacido [tina500@juno.com]
Sent: Friday, February 04, 2011 11:46 AM
To: ERBtestimony
Subject: Tax Foundation Testimony
Attachments: h0848-11.pdf; h1642-11.pdf; h0364-11.pdf

TRANSMISSION OF TESTIMONY

DATE: Friday, February 4, 2011

TO: House Committee on Economic Revitalization & Business

FROM: Tax Foundation of Hawaii

Total Pages 6

FOR: Rep. Angus McKelvey, Chair

Testifier: Lowell L. Kalapa, President - Tax Foundation of Hawaii

(Mr. Kalapa will not appear in person at the hearing.)

Date of Hearing - Tuesday, February 8, 2011

Position: Comments

Time of Hearing - 8:00 am

HB 848 - Relating to the General Excise Tax (2 pages)

HB 364 - Relating to Economic Development (2 pages)

HB 1642 - Relating to High Technology (2 pages)

Number of copies - 4

Thank you.