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To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Thursday, February 21, 2013
Time: 1:30 P.M.
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 473, Relating to the Natural Energy Laboratory of Hawaii Authority

The Department of Taxation (Department) appreciates the intent of H.B. 473, and provides the following information and comments for your consideration.

H.B. 473 extends the Enterprise Zone program in Chapter 209E, Hawaii Revised Statutes, to include qualified businesses operating within a research and technology park as described in Chapter 227D, Hawaii Revised Statutes.

The Department defers to the Department of Business, Economic Development, and Tourism regarding the merits of this bill.

The Department estimates a revenue loss of \$1.2 million for fiscal year 2013 and \$2.4 million for fiscal year 2014 and thereafter.

Thank you for the opportunity to provide comments.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism

Statement of
Gregory P. Barbour
Executive Director
Natural Energy Laboratory of Hawaii Authority
before the
COMMITTEE ON FINANCE
Thursday, February 21, 2013
1:30 pm
State Capitol, Conference Room 308

in consideration of

HB 473
RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

The Natural Energy Laboratory of Hawaii Authority (NELHA) strongly supports H.B. 473 which amends Chapter 209E, Hawaii Revised Statutes, by adding language that would make businesses operating within research and technology parks established by NELHA eligible for the State's enterprise zone program. This measure would assist NELHA in attracting new projects to our technology park.

This measure will broaden the scope of businesses eligible for EZ benefits within our technology park. Last year we adopted a new Master Plan for the Hawaii Ocean Science and Technology Park. Much of the remaining lands available for lease are in zones designated for renewable energy and applied technology. Chapter 209E currently allows businesses engaged in producing wind energy to be qualified as eligible for EZ benefits. Many new businesses and projects that we are targeting may not qualify for EZ status given the current narrow definition.

We have been successful because the Legislature has given us the “tools” to allow us to succeed. This measure will add an additional tool to help us realize the goals of growing our economic development project and increasing the \$4.5M in State tax revenue that the park already generates.

Thank you for the opportunity to offer these comments.

TAXBILLSERVICE

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SUBJECT: MISCELLANEOUS, Natural energy laboratory of Hawaii authority

BILL NUMBER: HB 473

INTRODUCED BY: Evans, Hanohano, Lowen, McKelvey, Nakashima, Tsuji

BRIEF SUMMARY: Adds a new section to HRS chapter 209E to provide that a qualified business operating within a research and technology park, established pursuant to HRS chapter 227D and located in an enterprise zone, shall be eligible for the same benefits under HRS sections 209E-10, 209E-11, and 209E-12.

Adds a new section to HRS chapter 227D to provide that all activities of the natural energy laboratory of Hawaii authority conducted within an enterprise zone established pursuant to HRS chapter 209E, shall be entitled to the same benefits under sections 209E-10, 209E-11, and 209E-12.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: This measure proposes to extend enterprise zone benefits to the natural energy laboratory of Hawaii authority and any qualified business operating within a research and technology park established by the authority. In an enterprise zone, businesses are attracted and encouraged to relocate to the zone through tax incentives, bonds, and other appropriate measures. Businesses located in an enterprise zone may claim a credit against taxes paid for a period of seven years and also allows the sale of items sold by such businesses to be exempt from the general excise tax.

While it appears that it is the intent of the legislature to assist a select industry, it should be remembered that singling out any business or industry for preferential treatment merely confers preferences for those businesses at the expense of all other taxpayers. Concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses.

Instead of singling out certain areas of the state for preferential treatment, an across-the-board tax relief for all businesses in Hawaii should be considered. For example, the consultant to the 2007 Tax Review Commission suggested that all business-to-business transactions be exempt from the general excise tax as a means of reducing not only the cost of doing business in Hawaii, but the overall cost of living.

Lawmakers need to stop and think when it comes to proposals like this. By "giving away the store" while not reducing the cost of government or the size of government, all other taxpayers including lawmakers' constituents, will be asked to make up the lost revenues by paying higher taxes while continuing to labor under the draconian business climate for which Hawaii has become known.

Digested 2/4/13