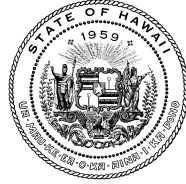


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
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FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Wednesday, February 19, 2014
Time: 9:25 A.M.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 3082, S.D.1, Relating to Taxation

The Department of Taxation (Department) provides the following comments regarding S.B. 3082, S.D.1, for your consideration.

S.B. 3082, S.D.1, establishes a nonrefundable income tax credit for taxpayers who incur certain expenses for manufacturing products in Hawaii. Specifically, this measure would provide a nonrefundable income tax credit of twenty percent of the costs incurred to purchase equipment to be used in the manufacture of tangible personal property in the State, as well as costs incurred to train employees in the manufacturing process. The tax credit, as proposed, applies to taxable years beginning after December 31, 2014, and is repealed on January 1, 2023. S.D.1 has a defective effective date of July 1, 2050.

The Department supports the adoption of its suggestions in S.D.1, regarding addressing the claiming of other tax credits by applying the same costs and the allocation of credit amounts.

The Department defers to the Department of Business, Economic Development, and Tourism regarding the certification and reporting requirements under subsection (e).

Thank you for the opportunity to provide comments.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Statement of
RICHARD C. LIM
Director

Department of Business, Economic Development, and Tourism
before the

**SENATE COMMITTEE ON
WAYS AND MEANS**

**Wednesday, February 19, 2014
9:25 a.m.
State Capitol, Conference Room 211
In consideration of**

SB3082 RELATING TO TAXATION

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

Thank you for the opportunity to testify on SB 3082, a bill that establishes an income tax credit for taxpayers who incur certain expenses for manufacturing products in Hawaii.

DBEDT supports this bill, but notes that it does not currently have the staffing or funding to fulfill the obligation in Section 235(e) that requires DBEDT to “maintain records” for each taxpayer, “verify” the amounts, and “certify” the amount of the tax credits.

DBEDT does not have access to the Department of Taxation’s information on taxpayers and we do not have the ability or authority to maintain confidential taxpayer records. DBEDT estimates that to maintain records, verify amounts and certify tax credits would require a minimum of \$500,000 in administrative costs. DBEDT supports this measure so long as it does not replace or adversely impact the Administration's budget request.

DBEDT defers to the Department of Taxation on the tax implications and fiscal impacts on their programs in carrying out this initiative.

Thank you for the opportunity to comment.



Meadow Gold Dairies



SB3082sd1, Relating to Taxation
Senate Ways and Means Decision Making Hearing
Weds, Feb. 19, 2014
9:25 am – Room 211

Chair Ige and Members of the Senate WAM Committee:

My name is Glenn Muranaka, President and General Manager of Meadow Gold Dairies. Our company has been in Hawaii since 1897—117 years, providing Hawaii consumers with a variety of milk products and juices. Meadow Gold's long history has not come without effort. We continually adapt to our customers' and consumers' ever-changing needs, and we constantly evolve along with our industry, our community and our market. Over the years, this has required that we struggle, tighten our belts, innovate and work extremely hard, making us a better company in the process. The foundation of this work rests with the 330 employees that are committed to providing superior quality products.

I support this bill as part of the Chamber of Commerce's economic development package. There are approximately 1000 active manufacturers in the state that employ almost 17,000 people at an average compensation rate of \$42,896 or over \$6,000 more than the average private non-farm employee. Manufacturers helped Hawaii's economy by contributing nearly \$570 million in manufactured goods exported in 2012.

The bill gives a 20% tax credit to companies on their expenditures for manufacturing equipment and the training of their employees. We believe that this credit will help fuel manufacturing in Hawaii to grow and provide more products for both local consumption and export. There is movement to begin to manufacture more back in the U.S. At the same time Hawaii still has some competitive disadvantages. This credit will help companies in Hawaii to start or grow their operations.

Your support of this measure is appreciated. Thank you for the opportunity to submit testimony. I can be reached at 944-5958 if there are any questions.



Executive Officers:
Stanley Brown, ConAgra Foods - Chairperson
John Schilf, RSM Hawaii - Vice Chair
Derek Kurisu, KTA Superstores - Treasurer
Lisa DeCoito, Aloha Petroleum - Secretary
Lauren Zirbel, Executive Director

1050 Bishop St. PMB 235
Honolulu, HI 96813
Fax : 808-791-0702
Telephone : 808-533-1292

TO:
SENATE COMMITTEES ON WAYS AND MEANS
Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 19, 2014
TIME: 9:25am
PLACE: Conference Room 211

RE: SB 3082

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers and distributors of food and beverage related products in the State of Hawaii.

The tax credit proposed in this bill would help grow and diversify our economy, keep more dollars in Hawaii, decrease our dependence on imports, and grow and strengthen the Made in Hawaii brand.

Research has shown that a diversified economy and a business friendly tax climate are both key factors in keeping unemployment low. This bill could allow current manufacturers in our state to grow their businesses and can open the door for even more production here in Hawaii. This means more jobs and a stronger economy for the entire state.

Increasing manufacturing will also mean we are less reliant on imported goods. We currently import over 90% of the products we use here in the state. This situation leaves us vulnerable to any supply chain interruptions, adds shipping cost to almost all goods, and sends millions of dollars a year out of the state. Importing less and making more can have wide reaching positive impacts for everyone from the manufacturers to the consumers.

This bill will also open the door for more products to earn the distinction of being Made in Hawaii. The products we currently make here in the state have a worldwide reputation for quality and excellence. There is strong demand both in and out of the state for more products of that high caliber, and this bill can help grow our manufacturing industry to meet that demand.

For these reasons we ask that you please vote yes on this measure.
Thank you for the opportunity to testify.



Written Statement of

KARL FOOKS
President

Hawaii Strategic Development Corporation

Before the
COMMITTEE ON WAYS & MEANS

February 19, 2014
9:25 AM
State Capitol, Conference Room 211

In consideration of
SB 3082 SD 1 RELATING TO TAXATION

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

The Hawaii Strategic Development Corporation (HSDC) respectfully submits testimony in support of the intent of SB 3082 SD 1.

A vibrant manufacturing sector will be important to grow a viable and sustainable export economy. HSDC supports efforts that can help to develop Hawaii's manufacturing capacity.

We recommend the Legislature consider a comprehensive strategy to link support for the manufacturing sector with entrepreneurial development and investment capital to stimulate an entire ecosystem that supports the goal of this legislation of building a globally competitive manufacturing sector.

Thank you for the opportunity to provide testimony.



KYD, Inc. dba k. yamada distributors

An independent leader in packaging and wholesale distribution

P.O. BOX 29669, Honolulu, Hawaii 96820 Phone: (808) 836-3221 Fax: (808) 833-8995

SB 3082sd1, Relating to Taxation
Senate WAM Committee – Wednesday, February 19, 2014
9:25 am - Room 211
Written Testimony by: Dexter Yamada
Position: Support

Chair Ige and Members of the Senate WAM Committee:

I am Dexter Yamada, President of KYD, Inc. dba: K. Yamada Distributors. KYD, Inc. is a local family run business that originated in the 1940's as a florist and florist supply distributor, and in 1958, evolved into a packaging company. Today, KYD, Inc and its sister company, Hawaii Foam Products, LLC, employ about 100 employees and contribute to Hawaii's economy through taxes and payroll based on \$35 million annual revenue. Our companies manufacture packaging materials such as food-grade EPS (Expanded Polystyrene) food containers, and distribute a variety of supplies, to include compostable containers, for food processors, food establishments, supermarkets, hotels hospitals and other institutions.

We appreciate this measure that supports Hawaii's manufacturing industry. Locally manufactured products contribute to import replacement, and help with local job creation. The temporary tax credit will encourage companies to invest in equipment purchases and train employees to manufacture locally made products. This in turn, lends to greater efficiency and reduction in the cost of products to customers.

Thank you for the opportunity to testify.



Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON
WAYS AND MEANS

Wednesday, February 19, 2014
9:25 a.m.
State Capitol, Conference Room 211
In consideration of

SB 3082 SD1 RELATING TO TAXATION.

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

The High Technology Development Corporation (HTDC) **supports** SB 3082 SD1 relating to Taxation. HTDC's Innovate Hawaii program offers business support to local manufacturers, helping them grow in Hawaii. SB3082 SD1 has the potential to financially benefit businesses that are investing in Hawaii manufacturing and allow others the opportunity to consider manufacturing their products in Hawaii. Hawaii needs more manufacturers to decrease our dependence on imported goods and increase our export revenues. Furthermore, current federal grant funding has been targeted at advanced manufacturing and re-shoring opportunities which translates into leverage for State led initiatives.

HTDC defers to DBEDT and DOTAX on the reporting requirements included in the bill. HTDC requests correction of the defective effective date. Thank you for the opportunity to offer these comments.