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To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Rona Suzuki, Director
Department of Taxation

Re: S.B. 3007, S.D. 1, Relating to Tax Credits

Date: Tuesday, February 25, 2020

Time: 12:40 P.M.

Place: Conference Room 211, State Capitol

The Department of Taxation (Department) offers the following comments regarding S.B. 3007, S.D. 1.

S.B. 3007, S.D. 1, requires the Department of Business, Economic Development, and Tourism (DBEDT) to file a public disclosure identifying the name of the taxpayer and the amount of the tax credit received by the taxpayer under Hawaii Revised Statutes (HRS) section 235-17 (motion picture, digital media, and film production income tax credit), section 235-110.91 (research activities tax credit), and chapter 209E (state enterprise zones) upon certification of the tax credits by DBEDT. S.B. 3007, S.D. 1, is effective upon approval and applies to taxable years beginning after December 31, 2020.

The Department defers to DBEDT on the merits of this measure as DBEDT certifies qualified expenditures from the previous taxable year for the tax credits under HRS sections 235-17 and 235-110.91. Similarly, DBEDT certifies the tax credits and exemptions under HRS chapter 209E after a taxpayer meets certain requirements to be designated a qualified business in the enterprise zone.

The Department appreciates the adoption of its suggested amendment by the Senate Committee on Energy, Economic Development, and Tourism to apply the measure on a going forward basis to give taxpayers the opportunity not to take the action to qualify for the credit if they do not want their tax information disclosed.

Thank you for the opportunity to provide comments.



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Statement of
MIKE MCCARTNEY
Director

Department of Business, Economic Development & Tourism
SENATE COMMITTEE ON WAYS AND MEANS

Tuesday, February 25, 2020
12:40 PM

State Capitol, Conference Room 211

In consideration of
SB3007, SD1
RELATING TO TAX CREDITS.

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) appreciates the intent of, and offers **comments** on, SB3007, SD1, which requires DBEDT to file a public disclosure identifying the taxpayers that receive tax credits for specific economic activities.

This bill requires DBEDT to file “a public disclosure” identifying taxpayers that received tax credits under HRS §235-17, (Motion Picture, Digital Media, and Film Production tax credit), §235-110.91, (Research Activities tax credit) and Chapter 209E, (State Enterprise Zones).

If this measure were to pass, it would be in direct conflict with HRS §235-17(i), disclosing the confidentiality of the taxpayers that the Legislature has sought to protect. Further, this change in the law may act as a deterrent for applicants seeking to utilize these credits.

If the committee decides to pass this measure, we recommend defining “public disclosure” and amending HRS §235-17 and Chapter 209E to clarify the responsibilities of the department as it pertains to the public disclosure.

Additionally, the department would need additional positions and funding to handle the expanded responsibilities of the research activities tax credit and Enterprise

Zones programs.

We defer to the Department of Taxation regarding the appropriate use of taxpayer information and any other operational challenges with the proposed measure.

Thank you for the opportunity to testify on this measure.

TAX FOUNDATION OF HAWAII

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SUBJECT: INCOME, GENERAL EXCISE, MISCELLANEOUS, Public Disclosure of Credit Recipients

BILL NUMBER: SB 3007, SD-1

INTRODUCED BY: Senate Committee on Energy, Economic Development, and Tourism

EXECUTIVE SUMMARY: Requires the Department of Business, Economic Development, and Tourism to make a public disclosure identifying the names of the taxpayers who are receiving tax credits and the total amount of tax credit received for specific economic activities.

SYNOPSIS: Adds a new section to chapter 201, HRS, requiring DBEDT to publicly identify the taxpayers receiving any of the following tax credits: (1) the motion picture, digital media, and film production income tax credit (section 235-17, HRS); (2) the tax credit for research activities (section 235-110.91, HRS); and (3) credits under the enterprise zone program (chapter 209E, HRS).

EFFECTIVE DATE: Upon approval, shall apply to taxable years beginning after December 31, 2020.

STAFF COMMENTS: Current law, including sections 235-116 and 237-34, HRS, prohibits the disclosure of tax return information by any person or any officer or employee of the State. Such disclosure is a class C felony. If the Legislature decides, as a policy matter, that it is better to make such a public disclosure, then appropriate amendments need to be made to the tax return confidentiality statutes.

Digested 2/21/2020

SB-3007-SD-1

Submitted on: 2/20/2020 5:58:23 PM

Testimony for WAM on 2/25/2020 12:40:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Andrea Quinn	Individual	Support	No

Comments:

SB-3007-SD-1

Submitted on: 2/25/2020 1:02:59 PM

Testimony for WAM on 2/25/2020 12:40:00 PM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Rayne	Individual	Support	No

Comments: