

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

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

To: The Honorable Sean Quinlan, Chair;
The Honorable Daniel Holt, Vice Chair;
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director
Department of Taxation

Date: February 12, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: H.B. 1273, Related to Tax Credits

The Department of Taxation (Department) offers the following comments regarding H.B. 1273 for your consideration.

H.B. 1273 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 for the motion picture, digital media, and film production income tax credit, the tax credit for research activities, and/or the enterprise zone credit, as well as the total amount of tax credit received. The measure is effective upon approval and applies to taxable years beginning after December 31, 2021.

The Department will be able to administer this measure as it is written, but notes that it is important that the application of this measure remain prospective as is written currently.

Thank you for the opportunity to provide comments.



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

DAVID Y. IGE
GOVERNOR

MIKE MCCARTNEY
DIRECTOR

CHUNG I. CHANG
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
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
MIKE MCCARTNEY
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

Friday, February 12, 2021

9:30 AM

State Capitol, Conference Room 312

In consideration of

HB 1273

RELATING TO TAX CREDITS.

Chair Quinlan, Vice Chair Holt, and members of the Committee on Economic Development. The Department of Business, Economic Development and Tourism (DBEDT) offers comments for HB1273 that will require DBEDT to file a public disclosure identifying the name of taxpayers receiving certain credits and the total amount of the tax credits received.

Chapter 209E is DBEDT's Enterprise Zone Program. DBEDT does not certify the actual tax credit amounts for this program. Rather, DBEDT certifies that companies have met the program requirements of job creation and that EZ companies can then file for the non-reimbursable tax credits, i.e., the tax credit is a percentage and only comes from the money the company owes the state in a given tax year. In DBEDT's EZ Annual Report EZ companies are listed and note those that have met the requirements of the program and thus can take the tax credits when they complete their taxes. Because it is a non-reimbursable tax credit and a percentage, DBEDT does not know the amount of the tax credit claimed by individual EZ company.

Further, if this measure were to pass, it would be in direct conflict with HRS §235-17(i) of the Motion Picture, Digital Media, and Film Production Income Tax Credit language and would disclose the confidentiality of the taxpayers that the Legislature has sought to protect. This change in the law may act as a deterrent for applicants seeking to utilize these credits.

Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, MISCELLANEOUS, Public Disclosure of Credit Recipients

BILL NUMBER: HB 1273; SB 937

INTRODUCED BY: HB by QUINLAN, HOLT, ONISHI; SB by WAKAI, LEE,
MISALUCHA, RIVIERE, Chang, Gabbard, Kidani, Shimabukuro

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 certain 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.

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. Violation of the law is punishable as 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 to allow for the disclosure here contemplated.

Digested 2/10/2021