



Written Statement of  
**Len Higashi**  
Acting Executive Director  
Hawaii Technology Development Corporation  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**

Wednesday, February 2, 2022  
10:00 a.m.  
Videoconference

In consideration of  
**SB2337**  
**RELATING TO TAX CREDITS.**

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

The Hawai'i Technology Development Corporation (HTDC) offers **comments** on SB2337 that requires that new income tax credits established or renewed after 12/31/2022 include a five-year sunset or an annual one-third reduction.

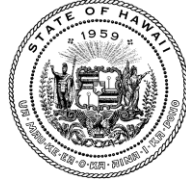
HTDC supports initiatives aimed at growing tech and innovation jobs. HTDC is assisting DBEDT with the online applications for the certification of the tax credits for research activities. The credit sunsets on December 31, 2024. The Report on Hawaii Tax Credit for Research Activities for Tax Year 2020 can be found at:  
[https://files.hawaii.gov/dbedt/economic/data\\_reports/HawaiiResearchTaxCredit\\_TaxYear2020.pdf](https://files.hawaii.gov/dbedt/economic/data_reports/HawaiiResearchTaxCredit_TaxYear2020.pdf)

HTDC comments that requiring the tax credits to be reevaluated every 5 years helps to ensure that the credits are achieving the purpose for which they were created. HTDC comments that tax credits can be most effective if part of a comprehensive economic development strategy.

Thank you for the opportunity to offer these comments.

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  
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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: Isaac W. Choy, Director  
Department of Taxation

Date: Wednesday, February 2, 2022  
Time: 10:00 A.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 2337, Relating to Tax Credits**

The Department of Taxation (Department) offers the following comments regarding S.B. 2337 for your consideration.

S.B. 2337 requires that any income tax credit enacted or renewed after December 31, 2022 include either a five-year sunset date or a yearly one-third reduction beginning in the sixth year. The bill becomes effective July 1, 2022 and applies to income tax credits enacted or renewed after December 31, 2022.

The Department is able to administer this measure as drafted as it does not create a substantial administrative burden.

Thank you for the opportunity to provide testimony on this measure.



**LATE**

**DAVID Y. IGE**  
GOVERNOR  
**MIKE MCCARTNEY**  
DIRECTOR  
**CHUNG I. CHANG**  
DEPUTY DIRECTOR

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

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Statement of  
**MIKE MCCARTNEY**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**  
Tuesday, February 2, 2022  
10:00 AM  
State Capitol, Conference Room 211

In consideration of  
**SB 2337**  
**RELATING TO TAX CREDITS.**

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

The Department of Business, Economic Development and Tourism (DBEDT) would like to offer comments on SB2337, which requires new income tax credits established or renewed after December 31, 2022, include a five-year sunset or an annual one-third reduction. The department defers to the Department of Taxation on the fiscal impacts to the state on this measure.

The Motion Picture, Digital Media, and Film Production Income Tax Credit, §235-17, Hawaii Revised Statutes, is an essential tool to the state's economic recovery efforts amidst this global pandemic. We are pleased to report that 2021 was another record year for production for the state with \$423M in direct expenditures and nearly 4,500 jobs supported.

The department has concerns that SB2337 will adversely impact the stability of the existing Film Production Income Tax Credit and development of film infrastructure in our state.

There are other measures currently moving through the legislative process with an extension of the sunset date beyond a 5-year period for the Film Production Income Tax Credit. Business certainty in the planning process for decisions on where productions will film is based on the length of years the credit is in place.

As this increased production trend continues into 2022, we strongly support a longer extension of the sunset date for the Film Production Income Tax Credit. This provides business stability particularly for television and streaming series where longer planning lead times are needed. Most importantly, these series provide dedicated annual jobs for hundreds of local residents.

The department acknowledges that we should revisit tax credits regularly to analyze and ensure the intention of the statutes are met and a cost benefit for the state is realized.

We bring to your attention that a lead time of 10 to 15 years is necessary to build film industry and training facilities infrastructure development, to attract a private investment and operator to advance collective intent to build a new multi-stage facility. We are at maximum capacity now with multiple television series here for the foreseeable future.

DBEDT looks forward to working with the Legislature on this and related measures which support the economic recovery that the film production activity delivers to our state.

Thank you for the opportunity to testify.

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: INCOME, Requires new tax credits to sunset or reduce over time

BILL NUMBER: SB 2337

INTRODUCED BY: KEITH-AGARAN

EXECUTIVE SUMMARY: Requires that new income tax credits established or renewed after 12/31/2022 include a five-year sunset or an annual one-third reduction. Our concern is whether this bill would be effective if enacted.

SYNOPSIS: Adds a new section to chapter 235, HRS, providing that any income tax credit established or renewed under this chapter after December 31, 2022, shall include either: (1) A five-year sunset date; or (2) Beginning with the sixth year of the credit, a one-third annual reduction in the credit amount allowed to be claimed, over a three-year period.

EFFECTIVE DATE: July 1, 2022.

STAFF COMMENTS: We have concerns over whether this bill, if enacted, would be effective. Normally a current legislature can't bind a future legislature, and later enacted legislation normally prevails over older legislation when the two conflict. Thus, if a future legislature were to pass a bill adding a new tax credit with neither a sunset nor a phaseout, and the bill were signed into law, the law would be effective with neither a sunset nor a phaseout.

We note that the State Auditor is required to review existing income tax credits under HRS sections 23-91 to 23-96 on a five-year rolling basis, and the reports issued by the Auditor are supposed to trigger legislative review. New credits are supposed to be added to the list in those sections of chapter 23, but none of these sections were amended after 2017.

Digested: 1/27/2022



Hawaii  
**Children's Action Network Speaks!**  
Building a unified voice for Hawaii's children

*Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.*

To: Senate Committee on Ways and Means

Re: **SB 2337 - Relating to tax credits**

Hawai'i State Capitol, Conference Room 211 & Videoconference  
February 2, 2022, 10:00 AM

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and committee members,

**On behalf of Hawai'i Children's Action Network Speaks!, I am submitting COMMENTS on SB 2337, relating to tax credits.** This bill would require that new income tax credits established or renewed after 2022 include a five-year sunset or an annual one-third reduction.

Income tax credits are effective tools that the state can use to promote social welfare and invest in children and working families.<sup>1</sup> Well-designed tax credits do this by helping to fix Hawai'i's upside down tax system, with currently has our lowest-income households paying 15% of their income in state and local taxes, while those at the top pay only about 9%. In fact, our state saddles our low-income families with the second-heaviest state and local tax burden in the nation.<sup>2</sup>

Tax credits for working families, such as the Earned Income Tax Credit, the Low-Income Household Renters Credit, and the Food/Excise Tax Credit, help Hawai'i residents keep more of their hard-earned income and are targeted to help those who need help the most.<sup>3</sup>

Requiring new or renewed tax credits to expire after 5 years or be automatically be reduced by one-third every year, as this bill would do, would undermine the effectiveness of the credits and/or add to the legislature's burden by mandating legislative action every few years in order to maintain such credits.

Mahalo for the opportunity to provide this testimony and for your consideration of these comments.

Thank you,

Nicole Woo  
Director of Research and Economic Policy

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<sup>1</sup> Hawai'i Kids Count, [https://d3n8a8pro7vhmx.cloudfront.net/goodbeginnings/pages/2185/attachments/original/1643319710/EITC\\_Report\\_REV3\\_FINAL.pdf](https://d3n8a8pro7vhmx.cloudfront.net/goodbeginnings/pages/2185/attachments/original/1643319710/EITC_Report_REV3_FINAL.pdf)

<sup>2</sup> Institute on Taxation and Economic Policy, <https://itep.org/whopays/hawaii/>

<sup>3</sup> Hawai'i Department of Taxation, <https://files.hawaii.gov/tax/stats/stats/credits/2019credit.pdf>

Will Caron  
Pālolo Valley  
[willcaronforhawaii@gmail.com](mailto:willcaronforhawaii@gmail.com)

January 31, 2022

TO: Senate Committee on Ways & Means  
RE: Testimony in Opposition to SB2337

Aloha Committee Members,

I oppose SB2337 and ask that you defer this measure. This bill would force new tax credit programs like an extended EITC to automatically sunset after 5 years or see an automatic reduction in value. There's no good reason to put this kind of restriction on programs like the EITC that have been proven to both lift thousands of families out of poverty each year and generate significant economic activity for the state.

We know tax credits like the EITC are important tools for creating opportunity in Hawai'i. A restrictive policy like this is unnecessary and ultimately harmful to efforts to make the tax code more equitable.

Mahalo for the opportunity to testify.

**SB-2337**

Submitted on: 1/31/2022 7:17:54 PM

Testimony for WAM on 2/2/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Christy MacPherson	Individual	Comments	No

Comments:

Aloha members of the Senate Committee on Ways and Means,

Working families will undoubtedly begin to factor in tax credits, once they receive them, when considering their yearly budget and expenses. To have these programs taken away after 5 years is not only unnecessary but also detrimental to their financial health and vitality.

Mahalo for allowing me to provide comments on SB 2337.



**LATE**

**SB-2337**

Submitted on: 2/1/2022 1:58:41 PM

Testimony for WAM on 2/2/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Nanea Lo	Individual	Oppose	No

Comments:

Hello,

My name is Nanea Lo. I'm born and raised from this place from Papakōlea, O'ahu. I oppose SB2337.

This bill would force tax credits for working families that are started or renewed after 2022 to automatically sunset after 5 years or see an automatic reduction in its value. There's no good reason to put this kind of restriction on programs that help people.

Oppose SB2337.

me ke aloha 'āina,

Nanea Lo