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

Date: Thursday, February 9, 2016

Time: 2:00 P.M.

Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 147, Relating to Amending or Repealing Hawaii Income Tax Laws for the
Purpose of Deleting Obsolete or Unnecessary Provisions

The Department of Taxation (Department) appreciates the intent of H.B. 147, and offers the following comments for your consideration.

H.B. 147 repeals sections 235-12, 235-109.5, and 235-110.46, Hawaii Revised Statutes (HRS). Section 235-12, HRS, provided an energy conservation credit which expired July 1, 2003. Section 235-109.5, HRS, imposed a limit on the total claims of the technology infrastructure renovation tax credit and the high technology business investment tax credit. These two credits expired December 31, 2010. Section 235-110.46, HRS, provided an income tax credit for development of certain attractions at Ko Olina Resort and at Makaha resort (Ko Olina credit) which expired May 31, 2009.

The Department believes there are still carryovers of the energy conservation credit that may still be lawfully claimed. The carryover of this credit is still reported on the Department's Form Schedule CR and the aggregated carryover amounts are being reported with the carryovers of the renewable energy technology systems tax credit in the Department's annual report "Tax Credits claimed by Hawaii Taxpayers" (tax credit report). Repeal of the law that provided this credit could jeopardize the legal basis for continuing carryovers of the credit. For this reason, the Department requests section 235-12, HRS, not be repealed at this time.

The Department agrees that there will be no consequence to repealing the Ko Olina credit. The carryover of the Ko Olina credit is no longer reported on the Department's Form Schedule CR nor are there any claims or carryovers for the credit reported in the Department's past tax credit reports. The Department supports the repeal of section 235-110.46, HRS.

Finally, the Department notes that the limit imposed by section 235-109.5, HRS, only applied to the initial claim of the tax credits specified in the statute and does not affect credit carryovers. Since the listed credits are expired and thus can no longer be generated, this provision has no effect. The Department supports the repeal of section 235-109.5, HRS.

Thank you for the opportunity to provide comments.

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SUBJECT: INCOME, Repeal Obsolete Provisions

BILL NUMBER: HB 147

INTRODUCED BY: LUKE

EXECUTIVE SUMMARY: This is a housekeeping bill to remove obsolete provisions.

BRIEF SUMMARY: Repeals HRS section 235-12, the former energy conservation credit, that expired on July 1, 2003.

Repeals HRS section 235-109.5, claim limitation, that applied to high technology investment credits for taxable years ending before January 1, 2011.

Repeals HRS section 235-110.46, also known as the Ko Olina credit, which applied to costs incurred before June 1, 2009.

Provides that this Act shall not cause the expiration of any tax credits legally claimed and carried forward in accordance with law in effect prior to enactment of this Act.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This measure removes obsolete provisions.

Digested 2/6/2017