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**HOUSE COMMITTEES ON TOURISM, CULTURE & INTERNATIONAL AFFAIRS  
AND ECONOMIC REVITALIZATION, BUSINESS & MILITARY AFFAIRS  
TESTIMONY REGARDING HB 2681  
RELATING TO TAXATION**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: FEBRUARY 8, 2010**

**TIME: 9:30AM**

**ROOM: 312**

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This measure provides a 4% refundable income tax credit for the construction or remodeling of a hotel or resort property.

The Department of Taxation (Department) **supports** this measure; however **prefers the Administration measure HB 2559**.

**SUPPORT FOR TOURISM INDUSTRY**—The Department supports the tourism industry and the importance of the economic activity this important industry brings to Hawaii. The Department acknowledges that having modern and newly renovated rooms are an important factor in maintaining the flow of tourists to this State.

**SUPPORT FOR JOBS AND THE CONSTRUCTION INDUSTRY**—The Department strongly supports efforts to stimulate the economy through incentives. This measure targets tax incentives at the construction industry, which is a large segment of Hawaii's economy. With many construction workers and suppliers impacted by the economic downturn, this measure will encourage taxpayers to invest in their homes and put people back to work.

**PREFER ADMINISTRATION MEASURE**—The Department prefers HB 2559, which provides for a 10% nonrefundable credit for construction or remodeling of hotel properties. This measure provides an additional incentive above and beyond a mere return of general excise taxes. The Administration measure also has a \$50 million aggregate cap in credits to allow for budget certainty.

The Department has concerns with this measure's inclusion of no cap, as well as it being a refundable credit. A refundable credit accelerates the impact to the general fund almost immediately. The Department prefers a nonrefundable credit, which spreads out the cost to the general fund over time.

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