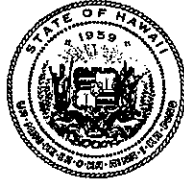


NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1530  
FAX NO: (808) 587-1584

FREDERICK D. PABLO  
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
DEPUTY DIRECTOR

## LATE TESTIMONY

### HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

#### TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 475 RELATING TO TAXATION

**TESTIFIER:** FREDERICK D. PABLO, INTERIM DIRECTOR OF TAXATION (OR DESIGNEE)  
**COMMITTEE:** ERB  
**DATE:** FEBRUARY 8, 2011  
**TIME:** 8AM  
**POSITION:** CONCERNED WITH COSTS

---

This measure provides a temporary income tax credit for manufacturing and exporting products from Hawaii to jurisdictions outside Hawaii.

The Department of Taxation (Department) supports the intent of this measure; however has concerns with this measure's revenue loss.

**THIS MEASURE IS EFFECTIVE ECONOMIC POLICY**—The Department supports that this measure focuses on manufacturing and subsequent importing of products. Increasing the State's export ratio benefits the economy by infusing it with revenues from outside the State. The Department defers to the Department of Business, Economic Development & Tourism on the economic impact of this measure.

**THERE IS ALREADY A GET BENEFIT**—Currently, taxpayers that export goods or services are not subject to the 4% general excise tax on their gross receipts. At a time when the budget is operating at a projected deficit, the existing general excise tax benefit should be sufficient.

**WHAT IS A "DOMESTIC" ENTITY**—It is unclear what a "domestic" entity is. Assuming it is Hawaii-only entities, this could create constitutional issues.