

## Budget Lawmakers Disagree Over Tax Credits

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Lawmakers are racing against the clock to pass the state budget, but a disagreement over tax credits is creating uncertainty.

Lawmakers from the House and Senate are meeting Thursday at 7 p.m. to iron differences between their spending plans.

High tech tax credits remain a point of contention.

Closing the gap on a projected \$1.2 billion budget shortfall has not been easy - both on a skeptical public and weary lawmakers.

"Currently we're adding up the budget, we're trying to make sure how much money we actually need," said Sen. Donna Mercado Kim, the Ways and Means Chair.

Sources tell KHON2 House and Senate budget conferees are in disagreement over high technology tax credits, creating a possible gap of \$106 million.

The House is in favor of deferring Act 221 credits for three years and taking away some investment incentives while the Senate is not.

If a compromise cannot be reached, lawmakers may have no choice but to strip the four counties' share of the Hotel Room Tax, or TAT.

Kim favors cutting the amount counties receive from about \$100 million to \$50 million.

"So we're finishing up on all the other revenue measures and we'll probably have to wait for that to the very end," said Kim.

Capping the counties' share of the TAT at \$50 million would result in \$20 million less for the City and County of Honolulu.

Kim says the counties are now facing the reality of putting off tough decisions.

"We offered the counties additional taxing authority last year and they said they didn't want it," said Kim.



The House meanwhile is standing firm, saying counties should continue to receive the current amount of TAT revenues.

"If the TAT monies are diverted from the counties they may have to resort to raising fees or cutting back on services," said Rep. Marcus Oshiro, (D) Finance Chair. "So we decided not to do that and we have found additional savings in the budget and other sources of revenue to address that."

Those in the minority can only wait and see what happens.

Republicans believe a general excise tax increase will not move forward in the eleventh hour, but admit anything is possible.

"I don't think it's going to happen but as they often say, it ain't over until it's over," said Rep. Gene Ward, House Budget Conferee.

Once the operating and capital improvement budgets are passed, lawmakers will take up revenue bills Friday.