



Deal reached on cuts to high-tech tax credits

By Herbert A. Sample
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Legislation that would reduce controversial high-technology tax credits in Hawaii was sent to the House and Senate floors yesterday after lawmakers meeting in a conference committee agreed on a compromise.

The latest version of the measure to alter so-called "Act 221" provisions would allow investors in technology businesses to deduct 80 percent of their investment from state taxes over five years instead of the current 100 percent.

The law became a target this year as legislators sought ways to close the state's budget gap. The credit has cost the state \$747 million in lost tax revenue since it started in 1999.

Critics of the Act 221 changes said they would stymie and perhaps kill a fledgling business sector at a time when unemployment is rising in Hawaii.

State Rep. Gene Ward (R, Kalama Valley-Hawaii Kai) said the tax credit reductions would come "at the expense of an industry that is just getting its legs."

State Sen. Carol Fukunaga (D, Lower Makiki-Punchbowl) warned that the bill could eliminate the state's tech industry and questioned whether House negotiators wanted the high-tech businesses to survive.

But state Sen. Donna Mercado Kim (D, Kalihi Valley-Halawa) said she doubted the changes would significantly damage the industry, while state Rep. Isaac Choy (D, Manoa) said, "What we're doing is very, very fair."

It is unclear what Gov. Linda Lingle will do with the measure should, as expected, both houses pass it before the Legislature adjourns on Thursday.

The governor has acknowledged in the past that the high-tech credits need to be "adjusted and re-balanced."

But State Department of Taxation Director Kurt Kawafuchi said Lingle has concerns about a provision in the bill that would temporarily suspend the capital goods excise tax credit for one year.

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