



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

July 16, 2009

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fifth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

Re: Senate Bill No. 199 SD1 HD1 CD2

On July 15, 2009, Senate Bill No. 199, entitled "A Bill for an Act Relating to Taxation" became law without my signature, pursuant to Section 16 of Article III of the State Constitution.

The purpose of this law is to amend the High Technology Business Investment Tax Credit by limiting claims to 80 percent of tax liability, allowing only one to one credit allocation ratios, and eliminating carryovers for investments made between May 1, 2009 and December 31, 2010. This law also suspends the Capital Goods Excise Tax Credit for investments, renovation costs, or the purchase of eligible depreciable tangible properties from December 1, 2008 through December 31, 2009.

This bill retains Hawaii's high technology investment tax credits as one of the most generous credits available from state governments. Investors will still be allowed to claim up to one hundred percent of the amounts invested against their tax liability and will be able to offset up to eighty percent of the actual income taxes owed each year.

However, it should be recognized that this bill changes the terms of the High Technology Investment Tax Credits eighteen months prior to the expiration of these credits. I am concerned that this sends a signal to potential investors and the business community that they cannot depend upon the continuation of a government policy that encouraged them to behave in a certain manner, presuming the same investment rules would stay in place through 2010.

Also, the suspension of the Capital Goods Excise Tax Credit is troubling because this credit assists Hawaii's businesses with capital good investments. This is the time when companies should be encouraged to make such investments as one of our economic recovery tools. Certainly encouraging the purchase of capital goods was recognized by President Obama's

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Administration when they included bonus depreciation provisions in the American Recovery and Reinvestment Act.

On balance, I believe the fiscal implications of this legislation outweigh the concerns I have noted above. For the foregoing reasons, I allowed Senate Bill No. 199 to become law as Act 178, effective July 15, 2009, without my signature.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle". The signature is fluid and cursive, with a large loop at the end.

LINDA LINGLE