

STAND. COM. REP. NO. 1024-12

Honolulu, Hawaii

March 16, 2012

RE: S.B. No. 3048

S.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Tourism, to which was referred S.B. No. 3048, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TRAVEL AND TOURISM STIMULUS INITIATIVES,"

begs leave to report as follows:

The purpose of this measure is to stimulate new construction and renovation work by creating tax incentives for:

- (1) Employers that hire certain individuals at new or renovated hotel and resort facilities; and
- (2) Large hotel and resort construction and renovation projects.

The Hawaii Tourism Authority; Hawaii Lodging & Tourism Association; American Resort Development Association; Wyndham Vacation Ownership; and Outrigger Enterprises Group testified in support of this measure. The Department of Taxation; Department of Business, Economic Development, and Tourism; Pacific Resource Partnership; and Tax Foundation of Hawaii provided comments.

Your Committee notes the request of the Pacific Resource Partnership to amend the effective date of this measure from July 1, 2050, to June 30, 2012.

SB3048 SD2 HSCR TOU HMS 2012-2741



Your Committee also acknowledges the concerns of the Department of Taxation regarding the amendments to Hawaii Revised Statutes in this measure that:

- (1) Allow employers to claim a tax credit for wages paid to qualified employees; however, employee wages may already be deducted from gross income;
- (2) Have unclear language stating tax credits may be available for seven years after the project is substantially complete, which is contrary to other parts of the measure that explicitly state tax credits must be claimed within the twelve months following the close of the taxable year and that require excess credits to be refunded to the taxpayer resulting in no carryover of excess tax credit claims;
- (3) Allow tax credits to be claimed prior to confirmation that a construction or renovation project qualifies for the tax credit because the pre-certification process only requires the reporting of estimated costs. This creates a substantial risk that this measure can be abused based on the statute of limitations for recovery of incorrectly claimed tax credits; and
- (4) Define "department" as the Department of Business, Economic Development, and Tourism, even though the "department" in chapters 235 and 237, Hawaii Revised Statutes, is generally the Department of Taxation. It is recommended to specifically reference the Department of Business, Economic Development, and Tourism as was done in section 235-17, Hawaii Revised Statutes, relating to motion picture, digital media, and film production income tax credits.

As affirmed by the record of votes of the members of your Committee on Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3048, S.D. 2, and recommends that it pass Second Reading and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Tourism,

Tom Brower

TOM BROWER, Chair



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

Record of Votes of the Committee on Tourism

Bill/Resolution No.: SB 3048, SD2	Committee Referral: TOU, FIN	Date: Nov 12, 2012
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The committee is reconsidering its previous decision on the measure.

The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold
 Pass short form bill with HD to recommit for future public hearing (recommit)

TOU Members	Ayes	Ayes (WR)	Nays	Excused
1. BROWER, Tom (C)	✓			
2. TOKIOKA, James Kunane (VC)	✓			
3. AWANA, Karen L.	✓			
4. CHOY, Isaac W.	✓			
5. EVANS, Cindy	✓			
6. HASHEM, Mark J.	✓			
7. McKELVEY, Angus L.K.	✓			
8. NISHIMOTO, Scott Y.	✓			
9. TSUJI, Clift	✓			
10. CHING, Corinne W.L.	✓			
11. MARUMOTO, Barbara C.				✓
TOTAL (11)	10	0	0	1

The recommendation is: Adopted Not Adopted
 If joint referral, _____ and not support recommendation.
committee acronym(s)

Vice Chair's or designee's signature: _____

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