

STAND. COM. REP. NO.

1531

Honolulu, Hawaii

April 10, 2015

RE: S.B. No. 676
S.D. 2
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 676, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to amend the capital infrastructure income tax credit by, among other things:

- (1) Requiring a qualified infrastructure tenant to expend at least \$40,000,000 to be eligible for the tax credit;
- (2) Authorizing the carryover of credits in excess of the maximum to subsequent taxable years;
- (3) Specifying that the claimed tax credit amounts shall be recaptured if a qualified infrastructure tenant fails to relocate under certain circumstances; and
- (4) Requiring taxpayers claiming the tax credit to submit information to the Legislature.



For the purposes of a public hearing on this bill, your Committee circulated a proposed draft of S.B. No. 676, S.D. 2, H.D. 1 (Proposed Draft), and notified the public that it would be accepting testimony on the Proposed Draft. The Proposed Draft, among other things:

- (1) Includes expenditures for structures, machinery, equipment, or capital assets made in connection with a tenant's move to a new location within Honolulu Harbor in claimable capital expenditure costs and excludes any amounts received in any form from the State;
- (2) Inserts an unspecified amount for the maximum claimable amount of tax credits per qualified infrastructure tenant; and
- (3) Removes the requirement that a qualified infrastructure tenant expend at least \$40,000,000 to be eligible for the credit.

Robert's Hawaii, Inc.; Pacific Marine; Pacific Shipyards International; HSI Mechanical, Inc.; Navatek, Ltd.; and numerous individuals testified in support of this measure. The Department of Taxation; Department of Transportation; Tax Foundation of Hawaii; and Chamber of Commerce Hawaii provided comments.

Your Committee, upon careful consideration of the merits of both S.B. No. 676 S.D. 2, as received by your Committee, and the Proposed Draft, has adopted the Proposed Draft and further amended it by:

- (1) Amending the definition of "qualified infrastructure tenant" for purposes of eligibility to claim the credit to include special purpose entities formed for the purpose of raising investor capital;
- (2) Further clarifying that no tax credit shall be generated after December 31, 2019, notwithstanding the carryover of previously-generated credits; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 676, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 676, S.D. 2, H.D. 1, and be placed on the calendar for Third Reading.

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



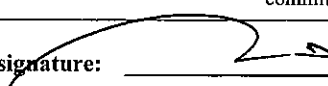
SYLVIA LUKE, Chair



State of Hawaii
House of Representatives
The Twenty-eighth Legislature

HSCR 1531

Record of Votes of the Committee on Finance

Bill/Resolution No.: SB 676, SD2	Committee Referral: FIN	Date: 4/7/2015		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)	/			
2. NISHIMOTO, Scott Y. (VC)	/			
3. CACHOLA, Romy M.	/			
4. CULLEN, Ty J.K.	//			
5. DeCOITE, Lynn	//			
6. JOHANSON, Aaron Ling	/	/		
7. JORDAN, Jo	/			
8. KEOHOKALOOLE, Jarrett	/			
9. KOBAYASHI, Bertrand	//			
10. LOWEN, Nicole E.	/			
11. ONISHI, Richard H.K.	//			
12. TOKIOKA, James Kunane	//			
13. YAMASHITA, Kyle T.	//			
14. POUHA, Feki	/			
15. WARD, Gene				/
TOTAL (15)	13	1		1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				