

STAND. COM. REP. NO. 844

Honolulu, Hawaii

MAR 06 2015

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

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 676, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to amend the capital infrastructure tax credit.

More specifically, this measure:

- (1) Doubles the maximum amount of capital infrastructure tax credits that may be issued in any taxable year from a maximum of \$1,250,000 to \$2,500,000 per qualified infrastructure tenant;
- (2) Allows any capital infrastructure costs that would result in a tax credit in excess of the maximum amount to be applied to subsequent taxable years; and
- (3) Requires a qualified infrastructure tenant to expend \$40,000,000 before the release of tax credits.

Your Committee received written comments in support of this measure from The Chamber of Commerce of Hawaii, Pacific Shipyards International, and two individuals. Your Committee received written comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

SB676 SD2 SSCR LRB 15-1997.doc



Your Committee finds that the Kapalama container terminal project is critical to modernizing commercial harbors and that completion of the project will ensure that harbor infrastructure will support sustained economic growth. Your Committee also finds that Act 200, Session Laws of Hawaii 2014, established a capital infrastructure tax credit to assist displaced maritime and waterfront dependent tenants of the Kapalama site. The tax credit is codified as section 235-17.5, Hawaii Revised Statutes.

Your Committee notes that section 235-17.5(g), Hawaii Revised Statutes, contains provisions that allow capital infrastructure tax credits to be recaptured if the qualified infrastructure tenant fails to continue its line of business or if the taxpayer claiming the credit sells or otherwise disposes of its interest in the qualified infrastructure tenant. Your Committee believes that recapture would also be appropriate if a qualified infrastructure tenant fails to relocate in a timely manner after executing a lease with the Department of Transportation.

Your Committee has amended this measure by:

- (1) Limiting the ability of taxpayers to carry over and apply excess credits, by establishing that capital infrastructure costs may not be carried forward to claim a tax credit in taxable years beginning after December 31, 2019;
- (2) Providing that the tax credit shall be recaptured if the qualified infrastructure tenant fails to relocate within an unspecified amount of time following the execution of a lease with the Department of Transportation;
- (3) Requiring taxpayers claiming the tax credit to submit information to the Legislature; and
- (4) Making technical nonsubstantive amendments for the purposes of consistency and clarity.

Your Committee notes that your Committee on Economic Development and Technology has given its prior concurrence to these amendments.



Your Committee also notes that it does not intend for section 235-17.5(g)(2), Hawaii Revised Statutes, to supersede section 235-17.5(g)(1), Hawaii Revised Statutes, as those provisions are established in this measure. It is your Committee's intent that a taxpayer who fails to comply with section 235-17.5(g)(1), Hawaii Revised Statutes, shall not escape the recapture provisions simply by complying with section 235-17.5(g)(2), Hawaii Revised Statutes.

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

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

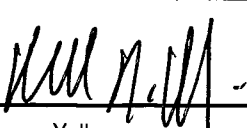


JILL N. TOKUDA, Chair



The Senate
Twenty-Eighth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB676 SD1	Committee Referral: EDT, WAM	Date: 3/4/15		
<input checked="" type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: <u>Pass w/ amendments</u>				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	✓			
KOUCHI, Ronald D. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
GALUTERIA, Brickwood	✓			
HARIMOTO, Breene	✓			
INOUYE, Lorraine R.	✓			
RIVIERE, Gil	✓			
RUDERMAN, Russell E.				✓
SLOM, Sam	✓			
TOTAL	10	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-size: 2em; font-family: cursive;">  </div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes