

Honolulu, Hawaii

March 27, 2015

RE: S.B. No. 1001
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 Economic Development & Business, to which was referred S.B. No. 1001, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO MANUFACTURING,"

begs leave to report as follows:

The purpose of this measure is to create a vibrant, sustainable economy and provide for opportunities for growth in the manufacturing industry in Hawaii. Specifically, this measure:

- (1) Establishes the Manufacturing Development Program through which the High Technology Development Corporation shall distribute grants to Hawaii manufacturers for various activities; and
- (2) Appropriates funds for the Program.

The Chamber of Commerce of Hawaii, High Technology Development Corporation, Hawaii Food Industry Association, Oceanit, Meadow Gold Dairies, and KYD, Inc. dba: K. Yamada Distributors testified in support of this measure.

As one of the most isolated land masses on Earth, Hawaii must import approximately 90 percent of all products consumed annually. However, manufacturers in Hawaii produce goods that are in demand across the United States and around the world. Thus, developing and supporting manufacturing in Hawaii could serve two purposes.



First, in-state manufacturing could reduce Hawaii's need to import consumer products. Second, exporting more products made in-state could lead to greater economic development.

According to the Chamber of Commerce of Hawaii, Hawaii has over 1,000 active manufacturers employing approximately 17,000 workers and Hawaii's manufacturing industry contributes to the economy by exporting manufactured goods. Providing financing options through a grant program will make Hawaii manufacturers more competitive globally, assist in the training of Hawaii's future manufacturing workforce, and allow Hawaii's manufacturing industry to grow, thereby strengthening Hawaii's economy.

However, your Committee finds that the provision of a manufacturing tax credit is a preferred option for assisting the growth of manufacturing in Hawaii. Your Committee believes that establishing such a tax credit would provide financial benefits to manufacturers, thereby increasing their growth, and would also encourage other manufacturers to begin operations in Hawaii, thereby strengthening Hawaii's economy.

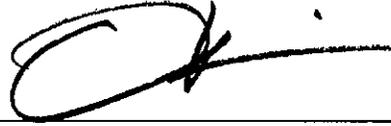
As such, your Committee has amended this measure by deleting its contents and replacing it with language that:

- (1) Establishes a temporary nonrefundable income tax credit for taxpayers who incur certain equipment and training expenses in the manufacture of products in Hawaii; and
- (2) Stipulates that the tax credit shall be applicable to taxable years beginning after December 31, 2015, and be repealed on January 1, 2023.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1001, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1001, S.D. 2, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business,



DEREK S.K. KAWAKAMI, Chair



State of Hawaii
House of Representatives
The Twenty-eighth Legislature

HSCR 1142

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: SB 1001 SD2	Committee Referral: EDB, FIN	Date: 24 MAR 15		
<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)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. KAWAKAMI, Derek S.K. (C)	✓			
2. KONG, Sam Satoru (VC)	✓			
3. BROWER, Tom	✓			
4. CACHOLA, Romy M.				✓
5. CHOY, Isaac W.	✓			
6. DECOITE, Lynn	✓			
7. ITO, Ken	✓			
8. OHNO, Takashi	✓			
9. ONISHI, Richard H.K.	✓			
10. TOKIOKA, James Kunane	✓			
11. TSUJI, Clift	✓			
12. WOODSON, Justin H.				✓
13. MATSUMOTO, Lauren Kealohilani	✓			
14. WARD, Gene	✓			
TOTAL (14)	12			2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 0.8em;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u>Samuel S. King</u>				
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