

Honolulu, Hawaii

APR 06 2017

RE: H.B. No. 591
H.D. 1
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 591, H.D. 1, 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 update the law relating to the capital infrastructure tax credit for taxable years beginning after December 31, 2016.

More specifically, the measure:

- (1) Amends the definition of "capital infrastructure costs" by:
 - (A) Including expenditures for structures, machinery, equipment, and capital assets, which has the effect of including those expenditures among the costs for which a taxpayer may claim the tax credit;
 - (B) Restricting recognized expenditures to those costs relating to a taxpayer's move of a trade or business within Honolulu Harbor; and



- (C) Excluding costs for which amounts are received in any form from the State;
- (2) Increases the maximum amount of credit available to each eligible taxpayer from \$1,250,000 to \$2,500,000 per taxable year;
 - (3) Provides that if costs exceed the foregoing credit cap for any taxable year, the costs may be carried over to the subsequent years until exhausted, subject to certain limitations;
 - (4) Provides that the distribution and share of the tax credit for a partnership may be determined notwithstanding section 706(d) of the Internal Revenue Code;
 - (5) Requires the recapture of a credit if the taxpayer fails to relocate within ninety days after the execution of a lease with the Department of Transportation; and
 - (6) Requires a taxpayer claiming the credit to timely submit certain information annually to the Department of Taxation, and subjects the taxpayer to a reduction of the credit and monetary penalties for failing to provide the information.

The Chamber of Commerce Hawaii, Navatek, and fourteen individuals submitted comments in support of this measure. The Department of Taxation and the Tax Foundation of Hawaii submitted comments on this measure.

Your Committee finds that Hawaii's capital infrastructure tax credit law was enacted in 2014 to reduce the financial burden imposed on businesses facing relocation costs as a result of the development of a new overseas container terminal and piers at the lower Kapalama military reservation site. Your Committee believes that the amendments to existing law, as proposed by this measure, will enable businesses to make full use of the credit as originally intended by the Legislature.

Your Committee has amended this measure by:



- (1) Replacing each instance of the term "qualified infrastructure tenant business" with the defined term "qualified infrastructure tenant";
- (2) Correcting the reference to section 706(d) of the Internal Revenue Code by replacing it with a reference to section 706 of the Internal Revenue Code; and
- (3) Requiring that within thirty days after each fiscal year, moneys shall be transferred from the harbor special fund to the Director of Finance for deposit into the general fund, in an amount equal to the aggregate capital infrastructure tax credits properly claimed by taxpayers during that fiscal year, as calculated by the Director of Taxation.

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 H.B. No. 591, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 591, H.D. 1, S.D. 2.

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

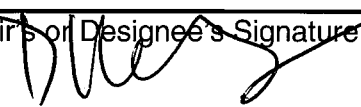


JILL N. TOKUDA, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

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|--|---------------------|----------|-----|----------|
| Bill / Resolution No.:* | Committee Referral: | Date: | | |
| HB 591, HD1, SD1 | TRE, WAM | 3/28/17 | | |
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____ | | | | |
| 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) | / | | | |
| DELA CRUZ, Donovan M. (VC) | / | | | |
| ENGLISH, J. Kalani | | | | / |
| GALUTERIA, Brickwood | / | | | |
| HARIMOTO, Breene | | | | / |
| INOUYE, Lorraine R. | / | | | |
| KAHELE, Kaiali'i | / | | | |
| RIVIERE, Gil | / | | | |
| SHIMABUKURO, Maile S.L. | / | | | |
| TANIGUCHI, Brian T. | | | | / |
| WAKAI, Glenn | / | | | |
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| TOTAL | 8 | | | 3 |
| Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted | | | | |
| Chair's or Designee's Signature:  | | | | |
| Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy | | | | |

*Only one measure per Record of Votes