

STAND. COM. REP. NO.

2847

Honolulu, Hawaii

MAR 12 2014

RE: H.B. No. 1702
H.D. 2
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Economic Development, Government Operations and Housing, to which was referred H.B. No. 1702, H.D. 2, 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 create a capital infrastructure tax credit for tenants displaced by the Kapalama container terminal project and banks and other financial corporations for costs related to capital investments on state land incurred due to the displacement.

Your Committee received testimony in support of this measure from The Chamber of Commerce of Hawaii, Pacific Shipyards International, and seventy individuals. Your Committee received testimony in opposition to this measure from the Department of Taxation. Your Committee received comments on this measure from the Department of Transportation and Tax Foundation of Hawaii.

Your Committee finds that development of a new overseas container terminal and piers at the lower Kapalama military reservation site requires improvements on fast and submerged lands associated with piers twenty-four through twenty-eight to accommodate maritime dependent operators at Kapalama who are to be evicted and displaced. The total cost for the proposed master plan at the Kapalama site is estimated to be \$243,000,000.

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However, none of these funds will go toward assisting displaced maritime and waterfront dependent tenants of the Kapalama site. These tenants must find ways to finance not only their move, but also significant capital improvements to state-owned land.

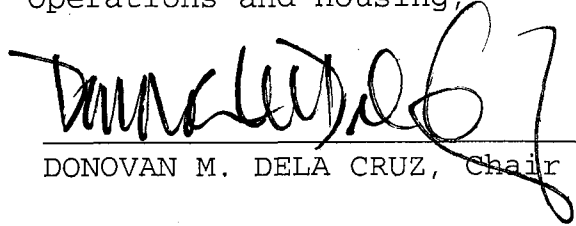
Your Committee has amended this measure by deleting its contents and inserting the contents of S.B. No. 2322, S.D. 2, which are substantively similar, except that the measure:

- (1) Allows investors who make investments in qualified infrastructure tenants, rather than the qualified infrastructure tenants, to qualify for the capital infrastructure tax credit;
- (2) Defines "capital infrastructure costs" to mean capital expenditures, as defined in Section 263 of the Internal Revenue Code and the regulations promulgated thereunder; provided that the capital expenditures are paid or incurred in connection with the displaced tenant's move of the tenant's current active trade or business to the tenant's new location;
- (3) Recaptures an unspecified percentage of the capital infrastructure tax credit if the qualified infrastructure tenant does not meet certain conditions at the close of any taxable year;
- (4) Requires the Director of Taxation to prepare any forms that may be necessary to claim a credit under this measure; and
- (5) Has an effective date of July 1, 2050, and does not include a repeal date.

As affirmed by the record of votes of the members of your Committee on Economic Development, Government Operations and Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1702, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1702, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development, Government
Operations and Housing,



DONOVAN M. DELA CRUZ, Chair



