

STAND. COM. REP. NO. 342-06

Honolulu, Hawaii

February 15, 2006

RE: H.B. No. 2943  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Third State Legislature  
Regular Session of 2006  
State of Hawaii

Sir:

Your Committee on Water, Land, & Ocean Resources, to which was referred H.B. No. 2943 entitled:

"A BILL FOR AN ACT RELATING TO RELIEF OF MANOA FLOOD VICTIMS,"

begs leave to report as follows:

The purpose of this bill is to assist victims of the Manoa flood of late October 2004 by establishing a one-time, nonrefundable income tax credit, capped at \$2,000 per taxpayer, for ten percent of the total loss or \$500, whichever is greater, related to damage to a taxpayer's real or personal property caused by heavy rain and flooding.

Several concerned individuals supported this bill. The Department of Taxation supported the intent of this measure. The Tax Foundation of Hawaii submitted comments.

Your Committee recognizes the extensive damage and substantial hardships caused by the severe flooding and rainstorms in Manoa. However, several concerns were raised regarding specific provisions of the tax credit contained in this bill, including the amount of the tax credit that may be claimed.

In light of these concerns, your Committee has amended this measure by:

- (1) Changing the amount of the tax credit to:

HB2943 HD1 HSCR WLO HMS 2006-1922



(A) The actual cost, not to exceed \$2,000 per taxpayer;  
or

(B) Ten percent of the total losses not to exceed  
\$2,000 per taxpayer,

for total losses related to the damage to a taxpayer's  
real or personal property caused by the heavy rain and  
flood in late October 2004, in Manoa, Oahu;

(2) Inserting standard, "boilerplate" provisions usually  
contained in laws establishing tax credits as follows:

(A) Specifying that in the case of a partnership, S  
corporation, estate, trust, or association of  
apartment owners, the tax credit allowable is for  
expenses incurred and paid for by the entity for  
the taxable year;

(B) Establishing that if a deduction is taken under  
Section 179 of the Internal Revenue Code, no tax  
credit shall be allowed for that portion of the  
expenses for which the deduction is taken;

(C) Requiring that the basis of eligible property for  
depreciation or accelerated cost recovery system  
purposes for state income taxes be reduced by the  
amount of credit allowable and claimed; and

(D) Prohibiting taxpayers who claim the tax credit  
established in this bill for losses incurred from  
the Manoa flood from claiming any other credits for  
the same losses;

(3) Clarifying that the \$2,000 limit on tax credits for each  
taxpayer is for the entire period for which the credit  
is available;

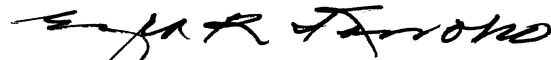
(4) Specifying that the tax credit be codified under Chapter  
235, Hawaii Revised Statutes, instead of simply Session  
Laws of Hawaii; and

(5) Making technical, nonsubstantive amendments for style,  
clarity, and consistency.



As affirmed by the record of votes of the members of your Committee on Water, Land, & Ocean Resources that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2943, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2943, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Water, Land, &  
Ocean Resources,

  
\_\_\_\_\_  
EZRA R. KANOHO, Chair



