

STAND. COM. REP. NO.

1503

Honolulu, Hawaii

March 23, 2007

RE: S.B. No. 707
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Economic Development & Business Concerns,
to which was referred S.B. No. 707, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO A NEW MARKETS TAX CREDIT,"

begs leave to report as follows:

The purpose of this bill is to:

- (1) Encourage investment in business in targeted low-income communities in Hawaii; and
- (2) Benefit from the infrastructure established by the successful federal new markets tax credit,

by establishing a state credit equal to the federal new market tax credit for investments in Hawaii made through a qualified community development entity located in Hawaii.

The Chamber of Commerce of Hawaii and The Hawaii Science and Technology Council supported this bill. The Department of Taxation, Department of Business, Economic Development and Tourism, KUD International, and Phase 3 Properties supported the intent of this bill. The Tax Foundation of Hawaii provided comments.

SB707 HD1 HSCR EDB HMS 2007-3365



Your Committee has amended this bill by:

- (1) Reducing the credit allowed under this bill, to a third of the federal credit, or 13 percent of an investment made through a qualified community development entity;
- (2) Providing that the credit will sunset when funds available for the federal new markets tax credit are depleted; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

Your Committee also respectfully requests the Committee on Finance to examine an appropriate number for the cap on the credit available under this measure, and whether it should apply to all taxpayers or on a per taxpayer basis.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business Concerns that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 707, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 707, 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
Concerns,



KYLE T. YAMASHITA, Chair



