

Honolulu, Hawaii

FEB 16 2007

RE: S.B. No. 1993
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Tourism and Government Operations, to which was referred S.B. No. 1993 entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT,"

begs leave to report as follows:

The purpose of this measure is to provide tax incentives for the development of intellectual property and performing arts, and to repeal the Ko Olina Resort and Marina and Makaha Resort tax credit.

This measure establishes an:

- (1) Income tax exemption for performing arts royalties derived from patents, copyrights, and trade secrets;
- (2) Income tax credit for performing arts investments;
- (3) Income tax credit for performing arts research activities; and
- (4) Tourism training facility tax credit.

This measure also creates a tourism training curriculum committee to be responsible for certifying the curriculum of any tourism training facility in the State that is eligible for a tourism training facility tax credit.



Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Hawai'i Tourism Authority; Hawai'i Hotel & Lodging Association; Rigel Entertainment Corporation; and one individual. Comments were received from the Department of Taxation.

Your Committee finds that the attractions and educational facilities tax credit for Ko Olina Resort and Marina and the Makaha Resort are no longer necessary.

Your Committee further finds that the Leeward Coast of Oahu has levels of poverty in excess of twenty per cent in each of the census tracts comprising this region. This condition has existed for over forty years, despite the efforts of federal, state, and county programs to alleviate the suffering or reduce the numbers of individuals and families impacted.

The continued development of Ko Olina and the continued strength of the State's visitor industry has expanded the need for affordable workforce housing and training to prepare for the State's future economic growth. Because of the success of Ko Olina, the Ko Olina Resort is amenable to the redesignation of the tax credits, if the tax credits will continue to be used to serve and revive the Leeward Coast through affordable rental housing and visitor industry education and training opportunities within the region.

Your Committee has amended this measure by:

- (1) Deleting the:
 - (A) Income tax exclusion for performing arts royalties derived from patents, copyrights, or trade secrets, the income tax credits for performing arts investments and tax research activities; and
 - (B) Tourism training curriculum committee, and the tourism training facility tax credit; and
- (2) Establishing a Leeward Coast revitalization tax credit for affordable rental housing and educational and training facilities.

The intent of this measure, as amended, is to provide an economic stimulus to the development of the Leeward Coast, similar



to the intent of Act 100, Session Laws of Hawaii 2003, which provided the Ko Olina Resort and Marina and Makaha Resort tax credit. What the Leeward Coast needs now is affordable rental housing and educational and training projects, both of which would serve to revitalize the region and provide greater employment opportunities and a higher standard of living for the region.

As affirmed by the record of votes of the members of your Committee on Tourism and Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1993, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1993, S.D. 1, and be referred to the Committees on Economic Development and Taxation and Ways and Means.

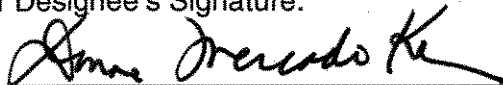
Respectfully submitted on
behalf of the members of the
Committee on Tourism and
Government Operations,


CLARENCE K. NISHIHARA, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Tourism and Government Operations
TSG

Bill / Resolution No.:*	Committee Referral:	Date:		
SB1993	TSG, EDT / WAM	2-13-07		
<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
NISHIHARA, Clarence K. (C)	/			
KIM, Donna Mercado (VC)	/			
TSUTSUI, Shan S.		/		
TRIMBLE, Gordon	/			
TOTAL	3	1		
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Clerk's Office	Drafting Agency		

*Only one measure per Record of Votes