

STAND. COM. REP. NO.

2540

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 2514
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 2514, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAX CREDITS,"

begs leave to report as follows:

The purpose of this measure is to provide a one-time nonrefundable tax credit that is deductible from the taxpayer's net income tax liability for losses incurred by the taxpayer as a result of flood and wind storm damage to the taxpayer's real or personal property caused by the storm in December of 2007.

Your Committee received testimony in support of this measure from the Department of Hawaiian Home Lands and the State Department of Defense. Comments were received from the Department of Taxation and Tax Foundation of Hawaii.

The entire State, particularly Maui, suffered heavy rain and wind damage from the December 2007 storm in which winds topped out at fifty to seventy miles per hour along with heavy flooding from rainfall. Rains in certain parts of the State were estimated to be in the six to eight inch range in a three-hour period. The storm qualified for a "100-year return period" based on data from the *Rainfall Frequency Atlas of the Hawaiian Islands*.

The Department of Taxation states that this measure will result in an indeterminate revenue loss. Assuming that two hundred and fifty people will take the full amount of the credit,



and assuming the credit limit is \$2000, the estimated revenue impact is a \$500,000 revenue loss for fiscal year 2009.

Your Committee has amended this measure by changing "losses" to "costs", on the recommendation of the Department of Taxation, and by making technical, nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2514, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 2514, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



