

Honolulu, Hawaii

Feb 12, 2010

RE: H.B. No. 2681  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Sir:

Your Committees on Tourism, Culture, & International Affairs and Economic Revitalization, Business, & Military Affairs, to which was referred H.B. No. 2681 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

beg leave to report as follows:

The purpose of this bill is to establish a refundable tax credit in the amount of four percent of qualified construction or renovation costs for hotel facilities in the state, for taxable years beginning after December 31, 2009, and ending December 31, 2011.

The Waikiki Improvement Association, Wyndham Worldwide, Subcontractors Association of Hawaii, and Hawaii Hotel & Lodging Association testified in support of this bill. The Hawaii Tourism Authority; Tourism Liaison; Department of Business, Economic Development, and Tourism; and Outrigger Enterprises Group supported the intent of this measure. The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO opposed this bill. The Office of the Governor and Tax Foundation of Hawaii offered comments.

Your Committees note the concerns that expanding the tax credit to include other resort property structures, such as restaurants and shops, may result in a larger than expected financial impact. For example, Hawaii County has zoning laws for "resort nodes" which can be very large and may encompass golf



courses, as well as structures. Your Committees encourage the counties to provide input regarding the impact of this measure, particularly with regard to the zoning of resort areas.

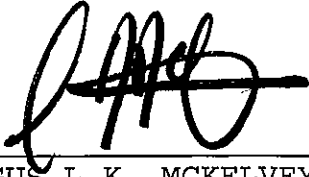
Your Committees have amended this bill by:

- (1) Changing the amount of the credit to:
  - (A) Seven percent of the construction or renovation costs between \$1,000,000 and \$10,000,000; and
  - (B) Ten percent of the construction or renovation costs over \$10,000,000 to a maximum of \$100,000,000;
- (2) Extending the credit to the taxable year ending December 31, 2015;
- (3) Making the credit non-refundable, but allowing excess of credit to be applied against taxpayer liability in subsequent years until the credit is exhausted;
- (4) Limiting the total tax credits that can be granted to \$50,000,000 per year;
- (5) Changing the effective date to July 1, 2112, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Tourism, Culture, & International Affairs and Economic Revitalization, Business, & Military Affairs that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2681, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2681, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committees on Tourism, Culture,  
& International Affairs and  
Economic Revitalization,  
Business, & Military Affairs,



ANGUS L.K. MCKELVEY, Chair



JOE MANAHAN, Chair



State of Hawaii  
House of Representatives  
The Twenty-fifth Legislature

HSCR 390-10

Record of Votes of the Committee on Tourism, Culture, & International Affairs

Bill/Resolution No.: <b>HB 2681</b>	Committee Referral: <b>TCI/EBM,FIN</b>	Date: <b>2/11/10</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
TCI Members	Ayes	Ayes (WR)	Nays	Excused
1. MANAHAN, Joey (C)	✓			
2. TOKIOKA, James Kunane (VC)	✓			
3. BERG, Lyla B.			✓	
4. CHOY, Isaac W.	✓			
5. EVANS, Cindy	✓			
6. McKELVEY, Angus L.K.	✓			
7. TAKAI, K. Mark				✓
8. TSUJI, Cliff	✓			
9. WAKAI, Glenn		✓		
10. WOOLEY, Jessica		✓		
11. MARUMOTO, Barbara C.	✓			
<b>TOTAL (11)</b>	<b>7</b>	<b>2</b>	<b>1</b>	<b>1</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ committee action _____ did not support recommendation.				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee      Duplicate (Yellow) – Chief Clerk's Office      Duplicate (Pink) – HMSO				

State of Hawaii  
House of Representatives  
The Twenty-fifth Legislature

HSCR 390-17

**Record of Votes of the Committee on Economic Revitalization, Business, & Military Affairs**

<b>Bill/Resolution No.:</b> HB 2681	<b>Committee Referral:</b> TCI / EBM, FIN	<b>Date:</b> 2/11/10		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EBM Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. CHOY, Isaac W. (VC)	✓			
3. BERG, Lyla B.			✓	
4. EVANS, Cindy	✓			
5. MANAHAN, Joey	✓			
6. TAKAI, K. Mark				✓
7. TOKIOKA, James Kunane	✓			
8. TSUJI, Clift	✓			
9. WAKAI, Glenn		✓		
10. WOOLEY, Jessica		✓		.
11. WARD, Gene				✓
<b>TOTAL (11)</b>	6	2	1	2
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
<b>Vice Chair's or designee's signature:</b> _____ <div style="text-align: center; font-size: large;"><i>Isaac W. Choy</i></div>				
<b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				