

STAND. COM. REP. NO.

382

Honolulu, Hawaii

Feb 18, 2009

RE: H.B. No. 477
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Economic Revitalization, Business, &
Military Affairs, to which was referred H.B. No. 477 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to spur the development of Hawaii's high technology sector, increase our use of available federal funds, and encourage the hiring of Hawaii residents by establishing a tax credit for federal Department of Defense contractors who are qualified high technology businesses. The credit is equal to an unspecified dollar amount for each Hawaii resident the contractor hires in the year that the credit is claimed.

AMARCOR testified in support of this bill. The Department of Taxation opposed this bill.

Your Committee heard testimony that although millions of dollars in federal funding is available and being spent in connection with Hawaii's military facilities, much of the work is being done by out-of-state contractors who bring their own professional staff to Hawaii. Once the work is done, these contractors leave the islands. There was testimony that a more than competent professional workforce for these contractors is available in our state, and that incentives for hiring Hawaii workers were needed to change the prevailing mindset and practice of these out-of-state Department of Defense contractors.

HB477 HD1 HSCR EBM HMS 2009-2034



Your Committee finds that the experience gained by working on these government contracts would enrich the high technology business community in Hawaii by giving Hawaii residents valuable experience and the ability to start businesses rooted in the local community, which in turn would be able to undertake Department of Defense contracts.

However your Committee is cognizant of the State's difficult budgetary situation, and to allow the conversation on this measure to continue, the bill's effective date has been changed to July 1, 2112. Technical, nonsubstantive amendments were also made for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Revitalization, Business, & Military Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 477, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 477, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Revitalization, Business, &
Military Affairs,



ANGUS L.K. MCKELVEY, Chair



