

Honolulu, Hawaii

April 1, 2010

RE: S.B. No. 2001
S.D. 1
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 Committee on Finance, to which was referred S.B. No. 2001, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill as received is to establish a waiver program through the Department of Taxation (DOTAX) to exempt a taxpayer's legally acquired wagering winnings, obtained outside of the state during a consecutive five-day period.

DOTAX and the Tax Foundation of Hawaii provided comments.

Your Committee finds that the current economic climate requires that extraordinary measures be pursued. Therefore, there is a compelling public interest for the early termination of tax credits that result in significant tax expenditures.

Accordingly, your Committee has amended this bill by deleting its contents and replacing them with the provisions of House Bill No. 2984, H.D. 2, that:

- (1) Extend the tax credit for research activities for an additional year; and



- (2) Repeal the technology infrastructure renovation tax credit and the high technology business investment tax credit.

Your Committee has further amended this bill by:

- (1) Changing the effective date to May 1, 2010; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

Your Committee finds that this measure, as amended, is necessary to generate additional revenues to fund services essential to the public. It is intended to generate the revenues without impact to low- and moderate-income individuals and families.

Your Committee emphasizes that this H.D. 1 is one of a variety of targeted revenue enhancement measures intended to avoid placing a large burden on ordinary residents and businesses. As with its proposed budget and other actions, your Committee has sought to fund services considered essential for public health, welfare, and education in both a fiscally and socially responsible manner while doing as little harm as possible to a fledgling economic recovery. The House of Representatives has made many difficult decisions in an effort to achieve this balance, and this H.D. 1 is a part of this process.

Finally, your Committee notes that this measure, as amended, has certain distinctions from House Bill No. 2984, H.D. 2. These distinctions include the following:

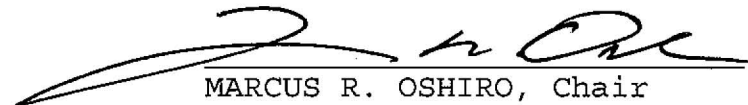
- (1) This draft has been divided into parts to allow for an easier understanding of the provisions. Part I sets forth the purpose of the bill. Part II extends the research activity tax credit for qualified high technology businesses. Part III repeals the technology infrastructure renovation tax credit and the high technology business investment tax credit. Part IV includes conforming amendments and part V includes general provisions;
- (2) The effective date in this measure has been changed to indicate your Committee's express intent that should the bill be approved or otherwise become law after May 1, 2010, the provisions shall be retroactive to that date;



- (3) Section 15 of this measure, as amended, clarifies that these provisions will apply to investments made and renovation costs incurred on or after May 1, 2010; and
- (4) Technical amendments have been made to ensure that the provisions of this bill, as amended, will remain in effect rather than being repealed subject to previous Acts.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2001, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2001, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



State of Hawaii
 House of Representatives
 The Twenty-fifth Legislature

HSCR 1118-10

Record of Votes of the Committee on Finance

Bill/Resolution No.: SB2001, SD1	Committee Referral: FIN	Date: 3/30/10		
<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)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. OSHIRO, Marcus R. (C)	✓			
2. LEE, Marilyn B. (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. AWANA, Karen Leinani	✓			
5. BROWER, Tom	✓			
6. CHOY, Isaac W.	✓			
7. COFFMAN, Denny	✓			
8. HAR, Sharon E.	✓			
9. KEITH-AGARAN, Gilbert S.C.	✓			
10. LEE, Chris	✓			
11. NISHIMOTO, Scott Y.	✓			
12. SAGUM, Roland D., III	✓			
13. TOKIOKA, James Kunane	✓			
14. WOOLEY, Jessica	✓			
15. YAMASHITA, Kyle T.	✓			
16. FINNEGAN, Lynn		✓		
17. WARD, Gene			✓	
TOTAL (17)	15 17m	1 Om	1 Om	0 ○
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted (If joint referral, _____ committee acronym(s) did not support recommendation.				
Vice Chair's or designee's signature: <u>Marilyn B. Lee</u>				
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