

STAND. COM. REP. NO.

2187

Honolulu, Hawaii

FEB 11 2010

RE: S.B. No. 2829
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committee on Economic Development and Technology, to which was referred S.B. No. 2829 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to establish a new markets tax credit for a taxpayer that holds a qualified equity investment on a credit allowance date. This measure also provides an exemption for the new markets tax credit from the requirements of section 704(b)(2) of the Internal Revenue Code.

Testimony in support of this measure was submitted by Advantage Capital Partners. The Department of Taxation submitted testimony in opposition. The Tax Foundation of Hawaii submitted comments.

Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that nationally, the new markets tax credit (NMTC) program has been a success in attracting long-term capital to companies and projects in low income communities. A January 2010, report on the program by the General Accounting Office found "projects with NMTC financing likely contribute employment and other benefits to low-income communities."

Your Committee further finds that the federal credits are allocated on a competitive basis each year and community

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development entities choose which states and which companies ultimately receive the NMTC investment. Several states offer an additional incentive for NMTC investments; provided these comply with the federal guidelines and any additional targeting done at the state level. This approach has been very successful because the thirty-nine per cent federal subsidy has not always proved sufficient to complete a worthwhile project without an additional state incentive, and the NMTC program investments are not distributed on a per capita basis like Low Income Housing Tax Credits or Community Development Block Grant programs.


Your Committee is supportive of establishing a matching credit or incentive and the opportunities this will create to attract an additional per capita share in Hawaii.

Your Committee has amended this measure by:

- (1) Authorizing the Department of Taxation to recapture any portion of the tax credit under certain conditions; and
- (2) Requiring the Department of Taxation to provide notice of any proposed recapture of tax credits, and allowing ninety days to cure any deficiency indicated in the Department's original recapture notice, before the recapture is final.

As affirmed by the record of votes of the members of your Committee on Economic Development and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2829, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2829, S.D. 1, and be referred to the Committee on Ways and Means.

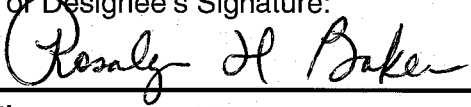
Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Technology,


CAROL FUKUNAGA, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Economic Development and Technology
EDT

Bill / Resolution No.:* SB 2829	Committee Referral: EDT, WAM	Date: 2-8-2010		
<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
FUKUNAGA, Carol (C)	✓			
BAKER, Rosalyn H. (VC)	✓			
HEE, Clayton				✓
IGE, David Y.	✓			
SLOM, Sam				✓
TOTAL	3	-	-	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes