

STAND. COM. REP. NO. 457

Honolulu, Hawaii

Feb 18, 2011

RE: H.B. No. 1266  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Sixth State Legislature  
Regular Session of 2011  
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred H.B. No. 1266 entitled:

"A BILL FOR AN ACT RELATING TO FERRIES,"

begs leave to report as follows:

The purpose of this bill is to develop alternative means of transportation between islands in the State by:

- (1) Providing a non-refundable individual or corporate income tax credit of five percent of the income tax liability of the principal operator of an inter-island ferry; and
- (2) Allowing the Department of Transportation (DOT) to reduce harbor fees by fifty percent for any company operating an inter-island ferry vessel.

The DOT, Department of the Attorney General (Attorney General), Department of Taxation, and Tax Foundation of Hawaii provided comments on this bill.

Hawaii is an island state that depends, almost exclusively, on air transportation for travel between islands. While this type of transportation service has been provided to the people of Hawaii for decades, an alternative form of transportation between islands to carry people, motor vehicles, and cargo would be beneficial. The operation of a ferry will not only offer the

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public a new transportation option, but businesses that currently use other forms of shipping will also be given the opportunity to use this alternative means of travel to get their goods to market. Thus, allowing the establishment of a different method of travel between the Hawaiian Islands is in the public interest.

The concept of an inter-island ferry is not new; an inter-island ferry currently operates within Maui County. Also, during the 1970s, an attempt was made to start a passenger-only inter-island ferry service. However, a number of unforeseen circumstances led to the demise of this service. With vast waterways between our islands that could serve as a marine highway, it is logical that Hawaii should have an inter-island ferry system and this measure looks at providing incentives for start up operations of this ferry service.

However, your Committee notes that the Attorney General raised concerns that, as currently drafted, the proposed bill may pose constitutional questions as the tax credit would specifically apply to resident taxpayers and not taxpayers in general. Accordingly, your Committee has amended this bill to remove the resident designation.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1266, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1266, H.D. 1, and be referred to the Committee on Finance.

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



JOSEPH M. SOUKI, Chair



State of Hawaii  
House of Representatives  
The Twenty-sixth Legislature

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**Record of Votes of the Committee on Transportation**

Bill/Resolution No.: <b>HB 1266</b>	Committee Referral: <b>TRN, FIN</b>	Date: <b>2/14/11</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)				
TRN Members	Ayes	Ayes (WR)	Nays	Excused
1. SOUKI, Joseph M. (C)	/			
2. ICHIYAMA, Linda (VC)	/			
3. AQUINO, Henry J.C.				/
4. CULLEN, Ty	/			
5. LEE, Marilyn B.	/			
6. LUKE, Sylvia	/			
7. SAIKI, Scott K.		/		
8. TAKUMI, Roy M.	/			
9. YAMASHITA, Kyle T.	/			
10. FONTAINE, George R.	/			
11. JOHANSON, Aaron Ling	/			
TOTAL (11)	9	1		1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; margin-left: 100px;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u><i>Linda Chiyama</i></u>				
Distribution:    Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				