

STAND. COM. REP. NO. 1452

Honolulu, Hawaii

April 8, 2011

RE: S.B. No. 831
S.D. 2
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 Finance, to which was referred S.B. No. 831, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill, as received by your Committee, is to work to attract private-sector capital investment to low-income areas and help finance community development projects, stimulate economic growth, and create jobs by establishing a state New Markets tax credit for qualified equity investment on a credit allowance date that are exempt from the requirements of Section 704(b)(2) of the Internal Revenue Code; provided that:

- (1) Community development entity investments are restricted to low-income communities in Hawaii; and
- (2) Franchise taxes under chapter 241, Hawaii Revised Statutes (HRS), and insurance premium taxes under chapter 431, HRS, are eligible for the tax credit.

Prior to the hearing, your Committee circulated for review and comment and accepted testimony on a Proposed H.D. 1. As amended, the Proposed H.D. 1 maintained the provisions contained in S.B. No.831, S.D. 2, but added a provision to exempt federally tax exempt companies that supply potable water from the state income tax and general excise tax.

SB831 HD1 HSCR FIN HMS 2011-3673



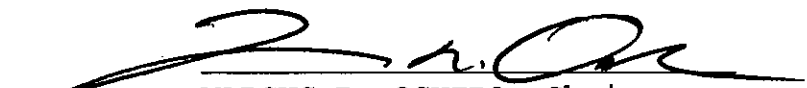
Enterprise Honolulu, Oahu Economic Development Board, and a concerned individual testified in support of this bill. A concerned individual testified in opposition to this measure. The Department of Taxation, Tax Foundation, and a concerned individual offered comments.

Your Committee has amended this measure by adopting the Proposed H.D. 1, and further amending this bill by:

- (1) Providing that the applicable percentage upon which the amount of the state New Markets tax credit is based will be set at twenty percent of the amount of the federal credit provided under Section 45D(a)(2) of the Internal Revenue Code of 1986, as amended;
- (2) Specifying that the percentage of median family income used for the determination of low-income communities is half of that provided for under Section 45D(e) of the Internal Revenue Code of 1986, as amended;
- (3) Making the recapture of the tax credit for non-qualifying taxpayers apply to five previous taxable years, if applicable;
- (4) Changing the applicability of this measure to taxable years beginning after December 31, 2030; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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. 831, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 831, S.D. 2, 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



