

Honolulu, Hawaii

MAR 03 2011

RE: S.B. No. 831
S.D. 2

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 831, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a state New Markets tax credit for qualified equity investment on a credit allowance date that shall be exempt from the requirements of section 704(b)(2) of the Internal Revenue Code; provided that:

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

Your Committee received comments on this measure from the Tax Foundation of Hawaii; and Yuka Nagashima, Executive Director & CEO, High Technology Development Corporation.

Your Committee finds that the federal New Markets tax credit was adopted as part of the Community Renewal Tax Relief Act of 2000 (Public Law 106-554) to address the lack of capital available to businesses and economic development ventures in low-income communities. Your Committee also finds that the federal New



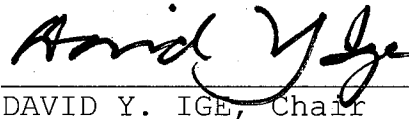
Markets tax credit program has assisted in many development projects in depressed communities.

Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 831, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 831, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



