

Honolulu, Hawaii

REBMAN 3, 2014

RE: H.B. No. 1702

H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred H.B. No. 1702 entitled:

"A BILL FOR AN ACT RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to help tenants displaced by the Kapalama Container Terminal Project by:

- (1) Establishing a Capital Infrastructure Tax Credit;
- (2) Enabling banks and other financial institutions to claim the Capital Infrastructure Tax Credit;
- (3) Amending section 235-2.45, Hawaii Revised Statutes, to provide that section 704(b)(2) of the Internal Revenue Code shall not apply to allocations of the Capital Infrastructure Tax Credit; and
- (4) Reinstating the Technology Infrastructure Renovation tax Credit through 2019.

The Chamber of Commerce of Hawaii; UTS Maritime Services, LLC; Pacific Marine; Navatek, Ltd.; HSI Mechanical, Inc.; Unitek Contracting Group; Pacific Shipyards International; and numerous individuals provided testimony in support of this measure. The



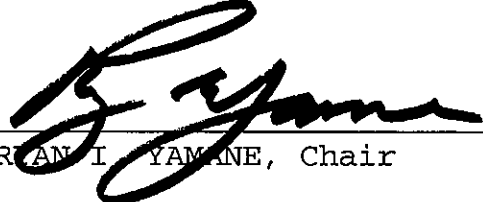
Department of the Attorney General, Department of Taxation, and Tax Foundation of Hawaii commented on this measure.

Your Committee has amended this measure by:

- (1) Clarifying that the Capital Infrastructure Tax Credit applies to capital infrastructure investments made for a taxable year;
- (2) Specifying that the amount of the tax credit shall be equal to fifty per cent of the capital infrastructure costs incurred; and
- (3) Repealing the Capital Infrastructure Tax Credit on December 31, 2019, and reenacting section 235-2.45, Hawaii Revised Statutes, in its original form upon repeal.

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. 1702, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1702, H.D. 1, and be referred to the Committee on Finance.

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



RYAN I. YAMANE, Chair



