

Honolulu, Hawaii

APR 04 2014

RE: H.B. No. 1702
H.D. 2
S.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 1702, H.D. 2, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to support maritime dependent operators who are being displaced by the Kapalama container terminal project.

More specifically, this measure:

- (1) Establishes a nonrefundable capital infrastructure tax credit for taxpayers who invest in tenants displaced by the Kapalama container terminal project;
- (2) Allows allocations of the capital infrastructure tax credit to a partner under a partnership agreement even if the allocation does not have substantial economic effect; and
- (3) Recaptures a portion of the capital infrastructure tax credit if certain conditions are not met at the close of any taxable year.

Your Committee received written comments in support of this measure from The Chamber of Commerce of Hawaii, Pacific Marine,



Pacific Shipyards International, Ship Repair Association of Hawaii, and seventy-two individuals. Written comments in opposition were received from Department of Taxation. The Department of Transportation and the Tax Foundation of Hawaii submitted written comments on the measure.

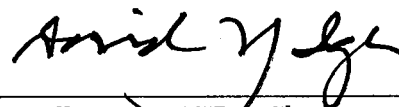
Your Committee recognizes that the Kapalama container terminal project is critical to modernizing commercial harbors and that completion of the project will ensure that harbor infrastructure will support sustained economic growth. Your Committee notes that no funds have been set aside to assist displaced maritime and waterfront dependent tenants of the Kapalama site. Your Committee finds that the displaced tenants will be relocated to various piers that have limited infrastructure, facilities, and utilities, which will require significant capital improvement to state-owned land. In light of state support provided for University of Hawaii-related tenants who have been displaced by the Kapalama container terminal project, your Committee believes that it is also appropriate to support the maritime dependent operators in Kapalama who are being displaced by the project.

Your Committee has amended this measure by:

- (1) Defining the term "base investment;" and
- (2) Making technical nonsubstantive amendments for the purposes of consistency, 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 H.B. No. 1702, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1702, H.D. 2, S.D. 2.

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



DAVID Y. IGE, Chair



