STAND. COM. REP. NO. **2846**

Honolulu, Hawaii

MAR 12 2014

RE: H.B. No. 2626
        H.D. 2
        S.D. 1

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

Madam:

        Your Committee on Economic Development, Government Operations
and Housing, to which was referred H.B. No. 2626, H.D. 2,
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
temporary, nonrefundable income tax credit for taxpayers who incur
certain expenses for manufacturing products in Hawaii.

        Your Committee received testimony in support of this measure
from the Department of Business, Economic Development, and
Tourism; High Technology Development Corporation; The Chamber of
Commerce of Hawaii; Hawaii Strategic Development Corporation;
Hawaii Farm Bureau; Hawaii Food Industry Association; Meadow Gold
Dairies; and KYD, Inc. dba K. Yamada Distributors. Your Committee
received comments on this measure from the Department of Taxation
and Tax Foundation of Hawaii.

        Your Committee finds that as one of the most isolated land
masses on Earth, Hawaii must import approximately ninety percent
of all products consumed annually. However, manufacturers in
Hawaii produce goods that are in demand across the United States
and around the world. Thus, developing and supporting
manufacturing in Hawaii could serve two purposes. First, in-state
manufacturing could reduce Hawaii's need to import consumer

products. Second, Hawaii could export more products made in state, leading to greater economic development.

Your Committee further finds that providing a manufacturing tax credit would provide financial benefits to manufacturers in Hawaii, thereby increasing their growth. The tax credit would also encourage other manufacturers to begin operations in Hawaii, thereby strengthening Hawaii's economy.

Your Committee has amended this measure by:

(1)   Deleting its contents and inserting the contents of S.B. No. 3082, S.D. 2, Regular Session of 2014, which are substantively similar, except that:

    (A)   The amount of the tax credit, as a percentage of the qualified manufacturing costs incurred during the taxable year, is blank;

    (B)   The cap on manufacturing tax credits that may be claimed per taxpayer is blank; and

    (C)   The effective date is July 1, 2050; and

(2)   Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development, Government Operations and Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2626, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2626, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on Economic Development, Government Operations and Housing,

DONOVAN M. DELA CRUZ, Chair

Record of Votes
Committee on Economic Development, Government Operations and Housing
EGH

Bill / Resolution No.:*	Committee Referral:	Date
HB2626 HD2	EGH, WAM	3/10/14

☐ The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to:_____

The Recommendation is:

☐ Pass, unamended 2312   ☒ Pass, with amendments 2311   ☐ Hold 2310   ☐ Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
SLOM, Sam (VC)	X			
BAKER, Rosalyn H.				X
CHUN OAKLAND, Suzanne				X
ENGLISH, J. Kalani	X			
THIELEN, Laura H.				X
WAKAI, Glenn	X			
TOTAL	4	0	0	3

Recommendation: ☒ Adopted   ☐ Not Adopted

Chair's or Designee's Signature:

*Only <u>one</u> measure per Record of Votes

Revised: 07/01/13