

Honolulu, Hawaii

FEB 14 2014

RE: S.B. No. 2322
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 S.B. No. 2322 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:

- (1) Create a capital infrastructure tax credit for tenants who are displaced by the Kapalama container terminal project;
- (2) Allow banks and other financial corporations the ability to claim the capital infrastructure tax credit;
- (3) Allow 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
- (4) Reestablish the technology infrastructure renovation tax credit for taxable years beginning after December 31, 2013, and ending on December 31, 2019.

Your Committee received testimony in support of this measure from The Chamber of Commerce of Hawaii, Pacific Shipyards International, and ninety-three individuals. Your Committee



received comments on this measure from the Department of Taxation, Department of Transportation, and Tax Foundation of Hawaii.

Your Committee finds that the development of a new overseas container terminal and piers at the lower Kapalama military reservation site requires improvements on fast and submerged lands associated with piers twenty-four through twenty-eight to accommodate maritime dependent operators at Kapalama who are to be evicted and displaced. The total cost for the proposed master plan at the Kapalama site is estimated to be \$243,000,000, which is being financed entirely by the State through revenue bonds and revenues from harbor tariffs and leases. None of these funds, however, will go toward assisting displaced maritime and waterfront dependent tenants of the Kapalama site. The displaced tenants will be relocated to various piers that have limited infrastructure, facilities, and utilities. These tenants must find ways to finance not only their move, but also significant capital improvements to state-owned land.

Your Committee has amended this measure by:

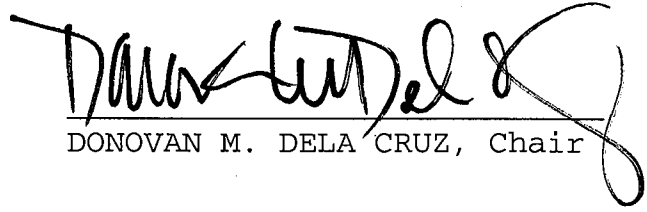
- (1) Inserting a definition for "capital infrastructure costs";
- (2) Inserting language to recapture an unspecified amount of the tax credit claimed under this measure if the qualified infrastructure tenant does not meet certain conditions at the close of any taxable year;
- (3) Deleting language related to the applicability of the capital infrastructure tax credit to banks and other financial corporations, as section 241-6, Hawaii Revised Statutes, already authorizes all provisions of chapter 235, Hawaii Revised Statutes, not inconsistent with chapter 235 and applicable to banks and other financial institutions subject to chapter 241, Hawaii Revised Statutes, to be applicable to the taxes imposed by chapter 235;
- (4) Inserting language to clarify that the technology infrastructure renovation tax credit is being reestablished and will be available, through this reestablishment, for taxable years beginning after December 31, 2013, and ending on December 31, 2019;



- (5) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (6) 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 S.B. No. 2322, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2322, 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



