

STAND. COM. REP. NO. **6027**

Honolulu, Hawaii
March 6, 2015

RE: H.B. No. 1167
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1167 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 amend the capital infrastructure income tax credit by:

- (1) Increasing the tax credit cap amount from \$2,500,000 to \$5,000,000;
- (2) Specifying that claimable capital infrastructure costs include capital expenditures deductible under section 263 of the Internal Revenue Code, as well as expenditures for real property and fixtures incurred in connection with a displaced tenant's relocation; and
- (3) Specifying that tax credits in excess of \$5,000,000, may be carried over and applied in subsequent taxable years, until exhausted.

The Chamber of Commerce Hawaii; Navatek, Ltd.; and numerous individuals testified in support of this measure. The Department of Taxation; Department of Transportation; Tax Foundation of Hawaii; Robert's Hawaii, Inc.; and Pacific Shipyards International provided comments.

HB1167 HD1 HSCR FIN HMS 2015-2441



Your Committee has amended this measure by:

- (1) Amending the definition of claimable "capital infrastructure costs" to include expenditures for structures, machinery, equipment, ship repair-specific capital assets, and financing costs made in connection with a tenant's move of its active trade or business to a new location within Honolulu Harbor;
- (2) Amending the definition of "qualified infrastructure tenant" to include special purpose entities formed for the purposes of raising investor capital for the purposes of claiming the capital infrastructure tax credit;
- (3) Specifying that capital infrastructure costs may include certain costs, incurred in connection with a displaced tenant's move to a new location within Honolulu Harbor;
- (4) Changing the tax credit cap amount from \$5,000,000 to an unspecified amount; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1167, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1167, H.D. 1, and be placed on the calendar for Third Reading.

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



SYLVIA LUKE, Chair



State of Hawaii
 House of Representatives
 The Twenty-eighth Legislature

HSCR 627

Record of Votes of the Committee on Finance

Bill/Resolution No.: HB 1167	Committee Referral: FIN	Date: 3/4/15		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)	/			
2. NISHIMOTO, Scott Y. (VC)	/			
3. CACHOLA, Romy M.	/			
4. CULLEN, Ty J.K.	/			
5. DECOITE, Lynn	/			
6. JOHANSON, Aaron Ling	/			
7. JORDAN, Jo		/		
8. KEOHOKALOLE, Jarrett	/			
9. KOBAYASHI, Bertrand	/			
10. LOWEN, Nicole E.	/			
11. ONISHI, Richard H.K.	/			
12. TOKIOKA, James Kunane	/			
13. YAMASHITA, Kyle T.	/			
14. POUHA, Feki	/			
15. WARD, Gene	/			
TOTAL (15)	14	1		
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				