

STAND. COM. REP. NO. 1161

Honolulu, Hawaii

MAR 27 2015

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

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committee on Economic Development and Technology, to which was referred H.B. No. 1167, H.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 amend the maximum capital infrastructure tax credit by:

- (1) Expanding the expenditures that constitute claimable capital infrastructure costs;
- (2) Amending which infrastructure tenants qualify for the tax credit;
- (3) Changing the maximum amount of the tax credit allowed per taxable year to an unspecified amount per qualified infrastructure tenant, rather than \$2,500,000 in capital infrastructure costs; and
- (4) Setting an unspecified cap on the amount of capital infrastructure costs above which excess costs may be applied to subsequent taxable years.

Your Committee received testimony in support of this measure from the Department of Transportation; Robert's Hawaii, Inc.; Chamber of Commerce Hawaii; Pacific Shipyards International;

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Pacific Marine; Navatek, Ltd.; and forty-six individuals. Your Committee received testimony in opposition to this measure from the Department of Taxation. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that this measure will provide a tax credit for capital infrastructure investments made by tenants being displaced by the Kapalama Military Reservation Harbor improvements for the container ship companies. Specifically, this measure will provide maritime and waterfront dependent businesses with the opportunity to attract funding for necessary harbor infrastructure improvements at a new location.

Your Committee further finds that this measure will additionally benefit the State by ensuring that the new infrastructure improvements made to the harbor-based property will be owned by the Harbors Division at the end of the lease term, permitting harbor tenants to pay lease rent to the Harbors Division on the new areas being improved under this infrastructure credit, and providing immediate funding for infrastructure improvement.

Your Committee has amended this measure by deleting the contents of this measure and replacing them with language that:

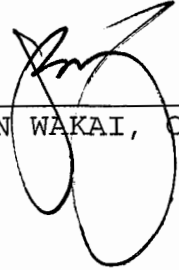
- (1) Specifies the maximum amount of capital infrastructure tax credits that may be issued in any taxable year is \$2,500,000 per qualified infrastructure tenant;
- (2) Allows any capital infrastructure costs that would result in a tax credit in excess of \$2,500,000 to be applied to subsequent taxable years;
- (3) Requires a qualified infrastructure tenant to expend \$40,000,000 within a taxable year before being eligible for the tax credit;
- (4) Prohibits the generation of credits after December 31, 2019;
- (5) Provides that the tax credit shall be recaptured if the qualified infrastructure tenant fails to relocate within an unspecified amount of time following the execution of a lease with the Department of Transportation;



- (6) Requires taxpayers claiming the tax credit to submit certain information to the Legislature; and
- (7) Makes the measure effective on July 1, 2015.

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

  
\_\_\_\_\_  
GLENN WAKAI, Chair



The Senate  
Twenty-Eighth Legislature  
State of Hawai'i

Record of Votes  
Committee on Economic Development and Technology  
EDT

| Bill / Resolution No.:*<br><b>HB 1167 HD1</b>   | Committee Referral:<br><b>EDT, WAM</b>                            | Date:<br><b>3/25/15</b>               |          |          |
|---|---|---------------------------------------|----------|----------|
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure.<br>If so, then the previous decision was to: _____           |   |                                       |          |          |
| The Recommendation is:  |   |                                       |          |          |
| <input type="checkbox"/> Pass, unamended<br>2312  | <input checked="" type="checkbox"/> Pass, with amendments<br>2311 | <input type="checkbox"/> Hold<br>2310 |          |          |
| <input type="checkbox"/> Recommit<br>2313   |   |                                       |          |          |
| Members   | Aye   | Aye (WR)                              | Nay      | Excused  |
| WAKAI, Glenn (C)  | X   |                                       |          |          |
| SLOM, Sam (VC)  | X   |                                       |          |          |
| BAKER, Rosalyn H.   | X   |                                       |          |          |
| CHUN OAKLAND, Suzanne   | X   |                                       |          |          |
| DELA CRUZ, Donovan M.   | X   |                                       |          |          |
| ESPERO, Will  | X   |                                       |          |          |
| HARIMOTO, Breene  | X   |                                       |          |          |
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| <b>TOTAL</b>  | <b>7</b>  | <b>0</b>                              | <b>0</b> | <b>0</b> |
| Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted  |   |                                       |          |          |
| Chair's or Designee's Signature:  |   |                                       |          |          |
|   |   |                                       |          |          |
| Distribution: Original      Yellow      Pink      Goldenrod<br>File with Committee Report      Clerk's Office      Drafting Agency      Committee File Copy |   |                                       |          |          |

\*Only one measure per Record of Votes