

Honolulu, Hawaii  
February 11, 2016

RE: H.B. No. 2486  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 2486 entitled:

"A BILL FOR AN ACT RELATING TO ECONOMIC DEVELOPMENT,"

begs leave to report as follows:

The purpose of this measure is to stimulate economic development and job growth on the western end of the Island of Oahu by establishing the Kapolei Jobs Initiative to provide an income tax credit and unemployment tax credit as incentives for businesses to establish locations or relocate to the Kapolei region of Oahu.

The Kapolei Chamber of Commerce; Hawaii Construction Alliance; Pacific Resource Partnership; Hawaiian Agents, Inc.; Pat Lee & Associates, LLC; West Oahu Economic Development Association; MacNaughton Group; Land Use Research Corporation of Hawaii; Avalon Group; and several concerned individuals testified in support of this measure. The Chamber of Commerce Hawaii testified in support of the intent of this bill. The Department of Labor and Industrial Relations testified in opposition to this measure. The Department of Business, Economic Development and Tourism, Department of Taxation, and Tax Foundation of Hawaii provided comments.

Kapolei, often referred to as Oahu's second city, is a master planned community on the Ewa plain of Oahu whose development was meant to counteract rising home prices and alleviate traffic congestion in Oahu's urban core of Honolulu. While Kapolei has



grown substantially over the years, it is still a largely residential community with a limited number of employment opportunities in the region. As such, many residents of Kapolei still must commute to the urban core of Honolulu for work on a daily basis resulting in greater traffic congestion for all Oahu residents.

Your Committee finds that providing incentives for businesses to relocate to, or expand into, Kapolei will not only increase economic activity for the residents of Kapolei and increase their quality of life, but will affect the quality of life for all residents of Oahu.

However, your Committee understands concerns raised regarding the applicability of this program and concerns raised by the Department of Taxation. Accordingly, your Committee has amended this measure by, among other things:

- (1) Deleting the Kapolei Jobs Initiative Unemployment Tax Credit and instead incorporating this incentive as part of an income tax credit;
- (2) Clarifying that the Kapolei Jobs Initiative Tax Credit can be carried forward against a taxpayer's net income tax liability in subsequent years until the tax credit is exhausted;
- (3) Expanding eligibility for the Kapolei Jobs Initiative Tax Credit by including geographic locations represented by the zip code 96709;
- (4) Specifying that a business must have a net gain of 10 employees to qualify for the Kapolei Jobs Initiative Tax Credit rather than having a minimum of 10 employees;
- (5) Changing the implementation date for the applicability of the Kapolei Jobs Initiative Tax Credit to taxable years beginning after December 31, 2016, to allow time for the Department of Taxation to make necessary preparations for the initiation of the tax credit; and
- (6) Changing the repeal date of the Kapolei Jobs Initiative Tax Credit from June 30, 2026, to June 30, 2027.



Your Committee has also amended this measure by:

- (1) Changing its effective date to February 19, 2022, to facilitate further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2486, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2486, H.D. 1, and be referred to your Committee on Labor & Public Employment.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development & Business,



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DEREK S.K. KAWAKAMI, Chair



State of Hawaii  
House of Representatives  
The Twenty-eighth Legislature

**HSCR 191-16**

**Record of Votes of the Committee on Economic Development & Business**

Bill/Resolution No.: <b>HB 2486</b>	Committee Referral: <b>EDB, LAB, FIN</b>	Date: <b>9 FEB 16</b>		
<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)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. KAWAKAMI, Derek S.K. (C)	✓			
2. KONG, Sam Satoru (VC)	✓			
3. BROWER, Tom	✓			
4. CACHOLA, Romy M.	✓			
5. CHOY, Isaac W.	✓			
6. DeCOITE, Lynn	✓			
7. ITO, Ken				✓
8. OHNO, Takashi	✓			
9. ONISHI, Richard H.K.	✓			
10. TOKIOKA, James Kunane	✓			
11. TSUJI, Clift	✓			
12. WOODSON, Justin H.	✓			
13. MATSUMOTO, Lauren Kealohilani	✓			
14. WARD, Gene	✓			
<b>TOTAL (14)</b>	<b>13</b>			<b>1</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: _____ 				
Distribution:            Original (White) – Committee            Duplicate (Yellow) – Chief Clerk's Office            Duplicate (Pink) – HMSO				