

Honolulu, Hawaii

February 19, 2016

RE: H.B. No. 2486

H.D. 2

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

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2486, H.D. 1, 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 program that offers an income tax credit as a tax incentive to increase the number of businesses willing to establish or relocate themselves in the Kapolei region.

The Chamber of Commerce Hawaii; Kapolei Chamber of Commerce; Avalon Group; Land Use Research Foundation of Hawaii; Palehua Townhouse Association; and a few concerned individuals supported this measure. The Department of Business, Economic Development, and Tourism; Department of Taxation; and Tax Foundation of Hawaii provided comments.

Your Committee has amended this measure by:

- (1) Specifying that qualified businesses must establish or relocate within the designated geographic area by December 31, 2020;
- (2) Requiring that for a business to be a qualified business, it must participate in the State Enterprise Zone Program;



- (3) Specifying that businesses must remain in the designated geographic region for the duration of the program to be a qualified business;
- (4) Clarifying that the tax credit shall only apply to taxable income of a qualified business attributable to the conduct of the business within the designated geographic area;
- (5) Changing the repeal date to December 31, 2027; and
- (6) Making technical nonsubstantive amendments for clarity, consistency, and style.

Your Committee notes the concerns raised by the Department of Taxation (Department) regarding the ability of the tax credit to be carried forward. Should the Committee on Finance deliberate on this measure further, your Committee respectfully requests that the Committee on Finance address the concerns raised by the Department.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2486, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 2486, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,



MARK M. NAKASHIMA, Chair



