

Honolulu, Hawaii

April 28, 2017

RE: H.B. No. 591
H.D. 1
S.D. 2
C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 591, H.D. 1, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to assist qualified infrastructure tenants (Tenant) who were displaced from the Kapalama Container Terminal site by updating the Capital Infrastructure Tax Credit (Tax Credit) law for taxable years beginning after December 31, 2016.

Specifically, this measure:

- (1) Includes structures, machinery, equipment, and capital assets in the definition of "capital infrastructure costs" thereby allowing a taxpayer to claim the Tax Credit for



those costs; provided that those costs relate to the taxpayer's move of a trade or business within Honolulu Harbor and excluding amounts received from the State;

- (2) Increases the maximum credit to \$2,500,000 per taxable year for a Tenant; provided that excess Tax Credits may be carried forward until exhausted subject to certain limitations;
- (3) Clarifies that distribution and share of the Tax Credit for a partnership may be determined notwithstanding section 706 of the Internal Revenue Code, in addition to section 704;
- (4) Requires the recapture of the Tax Credit if the Tenant fails to relocate within ninety days after the execution of a lease with the Department of Transportation;
- (5) Requires a taxpayer claiming the Tax Credit to timely submit certain information annually to the Department of Taxation, and subjects the taxpayer to a reduction of Tax Credit and monetary penalties for failure to provide the information; and
- (6) Requires that within ninety days after each fiscal year, moneys shall be transferred from the Harbor Special Fund to the Director of Finance for deposit into the general fund, in an amount equal to the aggregated Tax Credits properly claimed by taxpayers during the fiscal year, as calculated by the Director of Taxation.

Your Committee on Conference has amended this measure by:

- (1) Clarifying that the Tenant, together with all of its special purpose entities, including all partners and members of the Tenant and its special purpose entities, shall not claim any credit in any one taxable year that exceeds \$2,500,000;
- (2) Deleting language subjecting the taxpayer to a reduction of the Tax Credit for failure to timely submit certain information;
- (3) Deleting language requiring the Director of Taxation to calculate the aggregate value of all capital infrastructure tax credits property claimed and report the



amounts to the Director of Transportation and the Director of Finance;

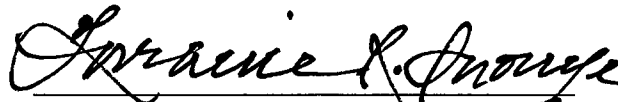
- (4) Deleting language authorizing the transfer of moneys from the Harbor Special Fund to reimburse the general fund in an amount equal to the aggregated properly claimed Tax Credits;
- (5) Changing its effective date to upon its approval; and
- (6) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 591, H.D. 1, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 591, H.D. 1, S.D. 2, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE SENATE

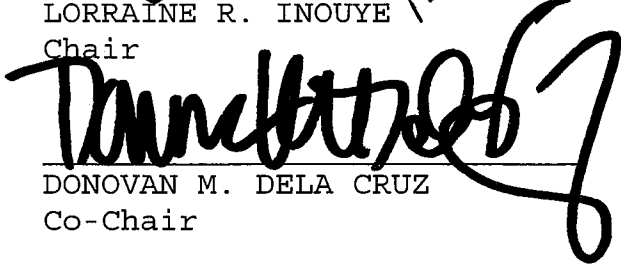
ON THE PART OF THE HOUSE



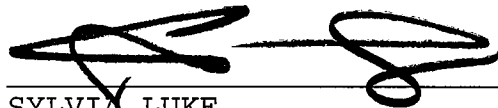
LORRAINE R. INOUE
Chair



MARK M. NAKASHIMA
Co-Chair



DONOVAN M. DELA CRUZ
Co-Chair



SYLVIA LUKE
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