

Honolulu, Hawaii

MAR 22 2017

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

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

Sir:

Your Committee on Transportation and Energy, to which was referred H.B. No. 591, 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 clarify the capital infrastructure tax credit by:

- (1) Adding structures, machinery, equipment, and capital assets to the definition of "capital infrastructure costs";
- (2) Limiting the qualifying infrastructure costs to those incurred by a displaced tenant's move from their current address or business to a new location within Honolulu Harbor;
- (3) Excluding from the tax credit any amounts received in any form from the State;
- (4) Limiting the tax credit to \$2,500,000 per qualified infrastructure tenant per taxable year; and



- (5) Specifying that any credit claimed shall be recaptured following the close of the taxable year for which the credit is claimed if the qualified infrastructure tenant fails to relocate from the former Kapalama military reservation to another location, pursuant to a lease with the Department of Transportation, within ninety days of the execution of the lease.

Your Committee received testimony in support of this measure from the Chamber of Commerce Hawaii, Pacific Shipyards, 3SRM Inc., and numerous individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that Act 200, Session Laws of Hawaii 2014, enacted section 235-17.5, Hawaii Revised Statutes, relating to capital infrastructure tax credit, to accommodate tenants displaced by the development of a new overseas container terminal and piers at the lower Kapalama military reservation site.

Your Committee further finds that the displaced tenants will be relocated to various piers that have limited infrastructure, facilities, and utilities. These tenants must find ways to finance not only their move, but also significant capital improvements to state-owned land.

Your Committee has amended this measure by:

- (1) Clarifying that the qualified infrastructure tenant, together with all special purpose entities, shall not claim any credit in any one year that exceeds \$2,500,000, on the recommendation of the Department of Taxation;
- (2) Clarifying that distribution and share of the tax credit for a partnership may be determined notwithstanding section 706(d) of the Internal Revenue Code, in addition to section 704;
- (3) Requiring a taxpayer to claim the credit within ninety days of the end of the calendar year, rather than taxable year;



- (4) Providing a penalty for failure of a qualified taxpayer to report certain information to the Department of Taxation, rather than to the Legislature, on the recommendation of the Department of Taxation; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Transportation and Energy that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 591, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 591, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

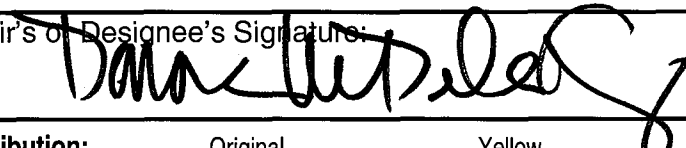
Respectfully submitted on
behalf of the members of the
Committee on Transportation and
Energy,


LORRAINE R. INOUYE, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Transportation and Energy
TRE

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|--|--|-------------------------|-----|----------|
| Bill / Resolution No.:* HB 591, HD1 | Committee Referral: TRE, WAM | Date: 3/15/17 | | |
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____ | | | | |
| The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313 | | | | |
| Members | Aye | Aye (WR) | Nay | Excused |
| INOUYE, Lorraine R. (C) | / | | | |
| DELA CRUZ, Donovan M. (VC) | / | | | |
| ENGLISH, J. Kalani | | | | / |
| HARIMOTO, Breene | | / | | |
| SHIMABUKURO, Maile S.L. | / | / | | |
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| TOTAL | 3 | 1 | | 1 |
| Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted | | | | |
| Chair's or Designee's Signature:  | | | | |
| Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy | | | | |

*Only one measure per Record of Votes