

STAND. COM. REP. NO.

1563

Honolulu, Hawaii

APR 07 2017

RE: H.B. No. 943
S.D. 2

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

Sir:

Your Committees on Ways and Means and Economic Development, Tourism, and Technology, to which was referred H.B. No. 943, S.D. 1, entitled:

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

beg leave to report as follows:

The purpose and intent of this measure is to promote job growth in Kapolei.

More specifically, the measure establishes a five-year Kapolei jobs initiative pilot program and a Kapolei jobs initiative tax credit to provide incentives for businesses to establish themselves or open a new location in the Kapolei region.

Your Committees received written comments in support of this measure from the Councilmember for the First District, City and County of Honolulu; Avalon Development Company; Hawaii Construction Alliance; Haseko; Hunt Companies; Chamber of Commerce Hawaii; Kapolei Chamber of Commerce; Pacific Resource Partnership; James Campbell Company, LLC; Land Use Research Foundation of Hawaii; and three individuals.

Your Committees received written comments on this measure from the Department of Taxation; the Department of Business, Economic Development, and Tourism; Tax Foundation of Hawaii; and one individual.



Your Committees find that job growth is a matter of statewide concern. Your Committees also find that in the Kapolei region, households continue to outgrow the number of employment opportunities in the region. Your Committees recognize that state law currently provides for a state enterprise zone program, which is designed to stimulate business and industrial growth. However, the program is currently restrictive, and participation has been relatively low, particularly in the Leeward enterprise zone. Your Committees believe that this measure may encourage greater economic growth, development, and job creation in the Kapolei region.

Your Committees have amended this measure by:

- (1) Amending the titles of two sections within the new statutory chapter to more accurately reflect the content of those sections;
- (2) Clarifying that the submission of a completed required form shall be prima facie evidence of the eligibility of a business for the Kapolei jobs initiative income tax credit; and
- (3) Amending the tax credit carryover provision to provide that excess credit from a taxable year may be used as a tax credit against the taxpayer's net income tax liability in the subsequent taxable year; provided that no excess credit may be used after December 31, 2022.

Your Committees respectfully request that a Committee on Conference that considers this measure address the following drafting issues in the measure that require further clarification:

- (1) Section -3(b) of the new Hawaii Revised Statutes chapter lacks clarity regarding whether the Department of Taxation or the Department of Business, Economic Development, and Tourism shall be responsible to "approve" the Kapolei jobs initiative income tax credit form;
- (2) In subsection (b)(1) of the new section of chapter 235, Hawaii Revised Statutes, the ambiguous use of the word



"less", in the phrase "_____ per cent less", lacks clarity as to what "less" refers, and thus may lead to confusion regarding how the Kapolei jobs initiative income tax credit is to be calculated for succeeding years;

- (3) Subsection (f) of the new section of chapter 235, Hawaii Revised Statutes, requires a qualified business to prequalify for the Kapolei jobs initiative income tax credit by registering "during the stage of business development" in the designated geographic area. The phrase "stage of business development" may be subject to differing interpretations; and
- (4) Subsection (g) of the new section of chapter 235, Hawaii Revised Statutes, provides that the Department of Business, Economic Development, and Tourism may request additional information necessary to measure the effectiveness of the Kapolei jobs initiative income tax credit. However, the provision does not require a qualified business claiming the tax credit to provide any additional information so requested.

Your Committees also note that the Department of Business, Economic Development, and Tourism stated that it would need \$150,000 annually to implement this measure, which would require a new program, including new reporting and tracking systems and a new and permanent Economic Development Specialist V position.

As affirmed by the records of votes of the members of your Committees on Ways and Means and Economic Development, Tourism, and Technology that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 943, S.D. 1, as amended herein, and recommend that it pass Third Reading in the form attached hereto as H.B. No. 943, S.D. 2.



Respectfully submitted on
behalf of the members of the
Committees on Ways and Means
and Economic Development,
Tourism, and Technology,



GLENN WAKAI, Chair

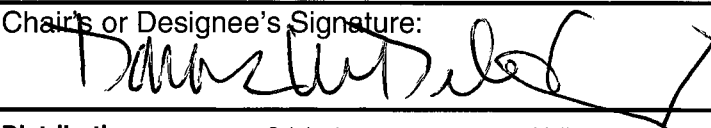


JILL N. TOKUDA, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 943, SD1	JDL, WAM / ETT	9/3 / 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
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood				/
HARIMOTO, Breene	/			
INOUYE, Lorraine R.				/
KAHELE, Kaiali'i	/			
RIVIERE, Gil				/
SHIMABUKURO, Maile S.L.	/			
TANIGUCHI, Brian T.		/		
WAKAI, Glenn	/			
TOTAL	7	1		3
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

The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Economic Development, Tourism, and Technology
ETT

Bill / Resolution No.:* HB 943 SD1	Committee Referral: JDL, WAM/ETT	Date: 4/3/17		
<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
WAKAI, Glenn (C)	✓			
TANIGUCHI, Brian T. (VC)		✓		
BAKER, Rosalyn H.	✓			
GALUTERIA, Brickwood	✓			
THIELEN, Laura H.		✓		
TOTAL	3	2	0	0
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