

Honolulu, Hawaii

MAR 03 2017

RE: S.B. No. 765
S.D. 2

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

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 765, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO NEW MARKET TAX CREDITS,"

begs leave to report as follows:

The purpose and intent of this measure is to increase funding for community-based economic development projects through a structure that facilitates the use of the federal new market tax credit.

Specifically, the measure:

- (1) Establishes a definition of "qualified community development entity" that mirrors the definition found in the Internal Revenue Code, to allow the State to provide financing for projects through the Hawaii Community-Based Economic Development Technical and Financial Assistance Program;
- (2) Expands the methods of delivering funding to projects under the program by providing loans to capitalize a qualified community development entity; and
- (3) Amends the cap on loan amounts and terms.



Your Committee received written comments in support of this measure from Pacific Growth Associates and Pana'ewa Hawaiian Home Lands Community Association.

The Department of Taxation and Department of Business, Economic Development, and Tourism submitted written comments on the measure.

Your Committee finds that the Hawaii Community-Based Economic Development Technical and Financial Assistance Program, facilitated by the Department of Business, Economic Development, and Tourism, provides financial assistance to community-based businesses and enterprises in the form of low-interest loans and grants to qualifying applicants. Your Committee also finds that the federal New Market Tax Credit Program was intended to attract capital to low-income communities by giving private investors a federal income tax credit for qualified equity investments in qualified community development entities. By definition, a qualified community development entity is a domestic corporation or partnership whose primary mission is to serve, or provide investment capital for, low-income communities or low-income persons. Thus, the investments made in qualified community development entities are expected to result in job creation and an improved quality of life for low-income communities, such as the development of small businesses, restaurants, childcare facilities, community centers, health care facilities, and mixed-use buildings with affordable housing. For these reasons, your Committee finds that connecting the Hawaii Community-Based Economic Development Technical and Financial Assistance Program with new investment capital incentivized by the federal tax credit will facilitate community-based economic development efforts in the State.

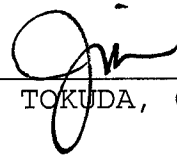
Your Committee has amended this measure by:

- (1) Making conforming amendments to the purpose section to more accurately reflect the substantive provisions of the measure; and
- (2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure.



As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 765, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 765, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

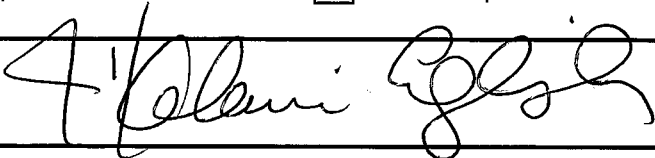


JILL N. TOKUDA, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 765, SD1	ETT, WAM	24 Feb 2017		
<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	10			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