

Honolulu, Hawaii

MAR 23 2018

RE: H.B. No. 2659
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committees on Economic Development, Tourism, and Technology and Labor, to which was referred H.B. No. 2659, H.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:

- (1) Establish a five-year Kapolei jobs initiative pilot program and establishes requirements to qualify for the tax credit; and
- (2) Establish a Kapolei jobs initiative income tax credit program as an incentive of the Kapolei jobs initiative pilot program.

Your Committees received testimony in support of this measure from the Chamber of Commerce Hawaii; Kapolei Chamber of Commerce; Pacific Resource Partnership; Palehua Townhouse Association; Hawai'i Construction Alliance; National Kidney Foundation of Hawaii; James Campbell Company, LLC; Kapolei Commons, LLC; Klapperich International Training Associates, LLC; Hunt Development Group, LLC; Associa; Urgent Care Hawaii; O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i; Coral Crater, LLC; Ho'omanapono Political Action



Committee; and ten individuals. Your Committees received comments on this measure from the Department of Taxation; Department of Business, Economic Development, and Tourism; and Tax Foundation of Hawaii.

Your Committees find that job growth in the Kapolei region on Oahu affects employers and employees alike, as households continue to outgrow the number of employment opportunities in the region. Your Committees further find that the state enterprise zone program is restrictive and participation in the program has been relatively low. Establishing an incentive such as the Kapolei jobs initiative program would attract needed professional, high-paying jobs to the Kapolei area.

Your Committees note that in order for the Kapolei jobs initiative program to produce meaningful impacts, businesses should provide more competitive salaries to at least half of their employees in order to qualify for incentives and participate in the program. According to a report by the Hawaii Housing Finance and Development Corporation, the average area median income of a single person in the City and County of Honolulu is \$73,300. Your Committees suggest that \$73,000 may be an appropriate amount for your Committee on Ways and Means to further consider.

Your Committees have amended this measure by:

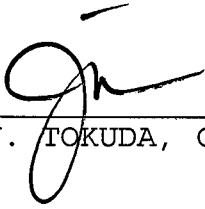
- (1) Deleting language that would have allowed qualified businesses to carry over any unused tax credits to subsequent taxable years;
- (2) Inserting a blank amount of gross annual salaries that a business must pay to at least half of its employees in order to be considered a qualified business; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Economic Development, Tourism, and Technology and Labor that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2659, H.D. 1, as amended herein, and recommend that it pass Second Reading in the

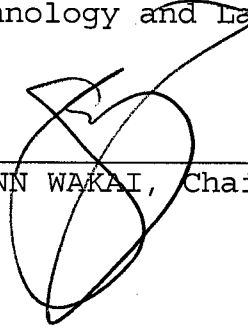


form attached hereto as H.B. No. 2659, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

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



JILL N. TOKUDA, Chair




GLENN WAKAI, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

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

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2659 HD1	ETT/LBR, WAM	3/22/18		
<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	0	4	1	0
Recommendation:				
<input checked="" type="checkbox"/> Adopted		<input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature: 				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes

