

STAND. COM. REP. NO.

989

Honolulu, Hawaii

MAR 22 2017

RE: H.B. No. 629  
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. 629 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Exempt from income tax and general excise tax an amount up to an unspecified percentage of the costs of the construction and operation of projects entered into under a public-private partnership with the Employees' Retirement System to improve water infrastructure or water supply, or to promote clean energy; and
- (2) Authorize the Employees' Retirement System to invest in such public-private partnerships.

Your Committee received testimony in support of this measure from Ho'omana Pono, LLC. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that conserving the State's resources and progressing toward the State's goal of a one hundred percent clean energy economy is vital for protecting the State's future. Your Committee recognizes that procuring funds for public works



projects is often a difficult and inefficient process. This measure addresses this issue by allowing private entities to enter into a public-private partnership with the Employees' Retirement System to improve water infrastructure or water supply, or to promote clean energy. To further incentivize private entities to enter into such arrangements, this measure allows for an exemption from income tax and general excise tax in an amount up to an unspecified percentage of the costs of the construction and operation of projects arising out of these types of public-private agreements.

However, your Committee understands the concerns raised by the Department of Taxation and Tax Foundation of Hawaii relating to the viability of this measure and the impacts that this measure may have on the Employees' Retirement System. Therefore, your Committee finds that provisions and ideas set forth in this measure would benefit from further inquiry.

Accordingly, your Committee has amended this measure by:

- (1) Requiring the Board of Trustees of the Employees' Retirement System to conduct a study into the viability of:
  - (A) Providing a tax exemption for contractors who enter into a public-private partnership with the employees' retirement system to develop construction projects to improve water infrastructure or water supply, or to promote clean energy;
  - (B) Providing an exclusion from gross income, adjusted gross income, and taxable income for the direct costs of construction and operation incurred by a person under a public-private partnership with the Employees' Retirement System to develop construction projects to improve water infrastructure or water supply, or to promote clean energy; and
  - (C) Allowing the Employees' Retirement System to make investments in public-private partnerships to develop construction projects to improve water



infrastructure or water supply, or to promote clean energy;

- (2) Inserting a blank appropriation for the study;
- (3) Inserting an effective date of July 1, 2017; and
- (4) 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. 629, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 629, S.D. 1, and be referred to your Committees on Judiciary and Labor and 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**

Bill / Resolution No.:* <b>HB 629</b>	Committee Referral: <b>TRE, JDLI WAM</b>	Date: <b>3/20 / 17</b>		
<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
INOUE, Lorraine R. (C)	//			
DELA CRUZ, Donovan M. (VC)	//			
ENGLISH, J. Kalani				//
HARIMOTO, Breene				//
SHIMABUKURO, Maile S.L.	/			
<b>TOTAL</b>	<b>3</b>			<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes