



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
LUIS P. SALAVERIA
Director

Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Thursday, February 22, 2018
11:00 am
State Capitol, Conference Room 308

in consideration of
HB 2659, HD1
RELATING TO ECONOMIC DEVELOPMENT.

Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance.

The Department of Business, Economic Development, and Tourism (DBEDT) offers comments on HB 2659, HD1. This measure, the Kapolei Jobs Initiative, allows companies that are in 96706, 96707, 96709 zip codes tax incentives for certain types of job creation. The goal is to encourage the development of jobs in Kapolei for Kapolei residents, who will then not need to commute into urban Honolulu.

Using the state tax code to the advantage of one part of the State over other areas, could have unintended consequences on other areas of the state who would also like a similar incentive program.

This initiative would require DBEDT to establish a new program and develop and maintain reporting and tracking systems, as well as requesting more staff. No funds or positions are allocated for this initiative. DBEDT estimates that \$150,000 in each year of the biennium is necessary for staff and operating expenses.

Thank you for the opportunity to provide these comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, UNEMPLOYMENT, Kapolei jobs initiative program

BILL NUMBER: HB 2659, HD-1

INTRODUCED BY: House Committee on Economic Development & Business

EXECUTIVE SUMMARY: Enacts a Kapolei jobs initiative similar to the current Enterprise Zone program, but with different requirements. We question why this program is not being made available to other localities in the State.

SYNOPSIS: Adds a new HRS chapter called Kapolei Jobs Initiative.

Defines a “full-time employee” as any employee, including a leased employee and an employee under a joint employment arrangement, for whom the employer is legally required to provide employee fringe benefits.

Defines a “qualified business” as a business that: (1) establishes or opens a new location within the designated geographic area (defined as the zip codes 96706, 96707, and 96709); (2) if opening a new location within the designated geographic area, has a minimum of ten full-time employees working at the establishment in the designated geographic area; or, if already established in the designated geographic area and expanding or building a new establishment in the same area, has a net gain of ten full-time employees; (3) provides gross annual salaries of \$35,000 or more to at least half of its employees at the establishment in the designated geographic area; (4) earns at least half of its gross annual revenue from its establishment in the designated geographic area; (5) is not participating in the state enterprise zone program pursuant to chapter 209E; and (6) excludes retail, except when greater than fifty per cent of sales are to Hawaii general excise tax licensees.

Adds a new section in HRS chapter 235 that provides for an income tax credit equal to 80% of the taxpayer’s net income tax liability (liability attributable to activity in Kapolei) in the year of qualification, and a credit of 10% less in each of the subsequent four years for any income tax due.

Provides for an additional credit equal to 80% of the taxpayer’s unemployment insurance contributions (attributable to activity in Kapolei) in the year of qualification, and a credit of 10% less for each of the subsequent four years.

Provides that the credit is not refundable but may be carried forward. Any carryforwards must be used before the end of calendar year 2028. States that all credit claims, including amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the tax credit may be claimed. Failure to do so constitutes a waiver of the right to claim the tax credit.

In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for the qualified costs incurred by the entity for the taxable year. The cost upon which the tax credit is computed shall be determined at the entity level. Distribution and share of the tax credit shall be determined pursuant to section 704(b) (with respect to partner's distributive share) of the Internal Revenue Code.

Provides that the director of taxation shall prepare any forms that may be necessary to claim a credit under this section, may require the taxpayer to furnish information to ascertain the validity of the claim for the tax credit made, and may adopt rules under chapter 91.

EFFECTIVE DATE: July 1, 2112; applies to taxable years beginning after December 31, 2018; sunsets on December 31, 2028.

STAFF COMMENTS: The enterprise zone program in chapter 209E, HRS, was enacted as a cooperative program between the state and the counties to promote jobs in areas of high unemployment. Certain areas are designated as enterprise zones through joint action of the state and counties. In a zone, the state offers an income tax credit for the tax attributable to the eligible business conducted in the zone, which is normally applied on a sliding scale – 80% for the first year, 70% for the second, and so on until the credit is 20% for the seventh and last year in the program. It also offers an unemployment tax credit for the tax attributable to employees doing the eligible business in the zone, on the same sliding scale. Finally, the state offers a general excise tax exemption for the eligible business attributed to the zone. The counties also offer incentives, which vary by county. In return, the business commits to either maintain or increase the number of employees in the zone doing the eligible activity, depending on whether it was already in the zone upon designation or moved to the zone.

As business incentives go, the enterprise zone program is better than most. The incentive applies to a specific activity (here, creating and maintaining employment) targeted to the problem the program seeks to address. The incentive tapers off over time and then stops. It requires accountability, namely required reports to DBEDT, for a business to retain its eligibility. The business itself may need a different kind of assistance, such as financing, but the state is focusing on creating and maintaining jobs in areas that need them.

The program established by this bill is separate from the enterprise zone program, as one of the requirements to qualify for this program is no participation in the enterprise zone program.

We question why Kapolei is so unique and special as to merit an extraordinary incentive. Aren't jobs also necessary or desirable in Puna, or Hana, or Princeville, all of which have been designated enterprise zones because of the relatively high unemployment there?

As a technical matter, subsection (b) of the new income tax section provides credit for unemployment insurance "accrued and paid." This terminology is unclear because "accrued" normally refers to when an expense is recorded under the accrual method of accounting, and "paid" normally refers to when an expense is recorded under the cash method of accounting. Using the term "paid" to refer to expenses as recorded under the taxpayer's adopted method of

accounting, as is done in section 209E-10, HRS, is accepted terminology and should be sufficient here.

In addition, subsection (c) of the new income tax section provides that tax credits provided for “shall only apply to taxable income of a qualified business attributable to the conduct of business within” Kapolei. Tax credits are applied to and reduce tax, not income; if the idea is to apportion the credit based on business activity, additional clarity is needed, such as changing the last sentence of subsection (c) to: “Tax credits provided for in this section may be allowed only for net income or unemployment taxes paid that are allocable to activity within the designated geographic area defined in section ____-1.”

Digested 2/20/2018

HB-2659-HD-1

Submitted on: 2/20/2018 10:55:35 PM

Testimony for FIN on 2/22/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
De MONT R. D. CONNER	Ho'omanapono Political Action Committee (HPAC)	Support	Yes

Comments:

We continue to STRONGLY SUPPORT this bill, as it greatly will be “for the betterment of native Hawaiian s, as defined by the Hawaiian Homes Commission Act, of 1920.”. Mahalo.



Hunt Development Group, LLC
737 Bishop Street, Suite 2750
Honolulu, Hawai'i 96813
Office: 808-585-7900

February 20, 2018

Representative Sylvia Luke, Chair
Representative Ty Cullen, Vice Chair
House Committee on Finance

RE: HB 2659 HD1 – Relating to Economic Development - IN SUPPORT
Thursday, February 22, 2018
Conference Room 308; Agenda #1; 11:00 AM

Aloha Chair Luke, Vice Chair Cullen and Members of the Committee,

Thank you for the opportunity to submit testimony in support of HB 2659 HD1 which establishes a five-year Kapolei jobs initiative pilot program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region.

Creating more professional jobs in the Kapolei region is needed in order to keep pace with Kapolei's population growth and to help reduce traffic caused by the amount of people driving into downtown Honolulu for work every day. This will give those living on the west side the opportunity to work closer to home and improve their quality of life.

We ask for your favorable consideration of this measure.

A handwritten signature in black ink, appearing to read 'Thomas Lee', written over a horizontal line.

Thomas Lee
Senior Vice President
Hunt Companies, Hawaii Division



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Thursday, February 22, 2018 at 11:00 A.M.
Conference Room 308, State Capitol**

RE: HOUSE BILL 2659 HD1 RELATING TO ECONOMIC DEVELOPMENT

Chair Luke, Vice Chair Cullen, and Committee Members:

The Chamber of Commerce Hawaii ("The Chamber") **supports the intent** of HB 2659 HD1, which establishes a Kapolei jobs initiative pilot program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region and establishes a tax credit incentive.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This initiative will realize the State's long-standing policy of redirecting growth to the second urban core, creating jobs in the Kapolei region and reducing traffic congestion. More jobs in the Kapolei region are needed to keep pace with Kapolei's population growth. This is evident in the traffic congestion caused by the number of people who still have to commute to downtown Honolulu for work every day. Job creation in the Kapolei region is a quality-of-life, community-building concern affecting employers and employees alike.

We encourage you to support this bill that will bring jobs to the Kapolei region affecting the lives of many. Thank you for the opportunity to testify.

HB-2659-HD-1

Submitted on: 2/21/2018 10:22:30 AM

Testimony for FIN on 2/22/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

Testimony of
Christopher Delaunay, Government Relations Manager
Pacific Resource Partnership

THE HOUSE
The Twenty-Ninth Legislature
Regular Session of 2018

COMMITTEE ON FINANCE
Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

Thursday, February 22, 2018
11:00 A.M.
State Capitol – Room 308

Aloha Chair Luke, Vice Chair Cullen, and members of the Committee:

We support HB 2659, HD1 which establishes a Kapolei jobs initiative **pilot program** that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region.

More jobs in the Kapolei Region are needed to keep pace with Kapolei's population growth. This is evident in the traffic congestion caused by the number of people who still have to commute to downtown Honolulu for work every day. The Kapolei Jobs Initiative program will improve the quality-of-life for the community by allowing its residents to live and work in Kapolei; and it will provide much needed relief to individuals commuting on Oahu's highways during rush hour traffic.

Thank you for the opportunity to share our views with you and we respectfully ask for your support on HB 2659, HD1.



(Continued From Page 1)

About PRP

Pacific Resource Partnership (PRP) is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.

**TESTIMONY IN SUPPORT OF HB2659
RELATING TO ECONOMIC DEVELOPMENT**

Date: February 22, 2018

Time: 11:00 a.m.

Room Number: Conference Room 308

Hawaii State Capitol

415 South Beretania Street

Honolulu, Hawaii 96813

Chair Luke, Vice Chair Cullen and members of the House Finance Committee,

On behalf of the National Kidney Foundation of Hawaii, I am writing in SUPPORT of HB2659 which establishes a Kapolei Jobs Initiative Pilot Program that offers incentives to increase the number of businesses willing to start or open a new location in the Kapolei area.

The rapid population growth in Kapolei necessitates the need for more businesses in the area which will only improve the quality of life for families living on the West side of the island and help reduce traffic congestion.

For many years, Kapolei has been positioned as Oahu's second city. This bill helps support this goal by helping establish more jobs where people live.

I encourage you to support this bill that will bring jobs to the city of Kapolei. Thank you very much for this opportunity to testify.

Sincerely,

Glen Hayashida

Glen Hayashida
President and CEO
National Kidney Foundation of Hawaii

Michael (Mike) Golojuch, Sr.
92-954 Makakilo Drive #71
Kapolei, HI 96707-1340

February 20, 2018

The Honorable Sylvia Luke, Chair
and Members
Committee on Finance

Hawaii State Capitol
514 Beretania Street
Honolulu, Hawaii 96813

RE: HB2659, HD1, RELATING TO ECONOMIC DEVELOPMENT

We strongly support HB2659. As the President, Palehua Townhouse Association, our association believes it is extremely important to establish the Kapolei Jobs Initiative Pilot Program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region.

We need additional jobs in the Kapolei Region to keep pace with Kapolei's population growth. This is evident in the traffic congestion caused by the number of people who still have to commute to downtown Honolulu for work every day. Job creation in the Kapolei region is a quality-of-life, community-building concern affecting employers and employees alike.

Thank you for letting me express my strong support for HB2659.

Sincerely,

Mike Golojuch, President
Palehua Townhouse Association

HB-2659-HD-1

Submitted on: 2/21/2018 8:23:51 AM

Testimony for FIN on 2/22/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Robert K Kekuna, Jr.	legalHI	Support	No

Comments:

Finance Committee Chair covers and members of the Committee:

I am writing in SUPPORT of HB2659 HD1 which will establish a Kapolei Jobs Initiative Pilot Program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region.

This initiative will realize the State's long standing policy of redirecting and promoting job growth to the second urban core, commensurate with the population growth projected for Kapolei and surrounding areas. Due to the number of new residential units planned for the Kapolei region, even the operation of the Rail will not adequately address the already existing traffic congestion into Downtown Honolulu. More jobs in the Kapolei Region will enhance the quality-of-life for Kapolei residents as well as those who can reverse commute into Kapolei community.

For the reasons noted above, please support this measure.

Sincerely,

Robert Kekuna, Jr.

legalHI

HB-2659-HD-1

Submitted on: 2/20/2018 8:29:00 PM

Testimony for FIN on 2/22/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jim Owen	Coral Crater LLC	Support	No

Comments:

Honorable Chair, Vice Chair and Members of the FIN Committee,

On behalf of Coral Crater LLC, I am writing in SUPPORT of HB2659 HD1 which will establish a Kapolei Jobs Initiative Pilot Program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region.

This initiative will realize the State's long standing policy of redirecting growth to the second urban core, creating jobs, including living wage professional jobs, in the Kapolei region. This will help reduce traffic congestion. More jobs in the Kapolei Region are needed to keep pace with Kapolei's population growth. This is evident in the traffic congestion caused by the number of people who still have to commute to downtown Honolulu for work every day. Job creation in the Kapolei region is a quality-of-life, community-building concern affecting employers and employees alike.

I encourage you to support this bill that will bring jobs to the Kapolei region affecting the lives of many.

Sincerely,

James Owen



TESTIMONY IN SUPPORT OF HB2659 HD1
RELATING TO ECONOMIC DEVELOPMENT

To: Chair Sylvia Luke, Vice Chair Ty J.K. Cullen and members of the Committee on Finance (FIN),

Date: February 22, 2018
Time: 11:00 a..m.
Room Number: Conference Room 308
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Honorable Chair, Vice Chair and Members of the FIN Committee,

On behalf of Urgent Care Hawaii, I am writing in SUPPORT of HB2659 HD1 which will establish a Kapolei Jobs Initiative Pilot Program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region.

Urgent Care Hawaii currently has one urgent care center in Kapolei. We employ 12 full time employees who specialize in healthcare. We opened our center in August of 2016 and are a full capacity in less than 2 years of operation. This initiative will support a second location in Kapolei to meet the needs of the residential and business communities.

During our course of recruiting healthcare professionals, the number one choice of location is Kapolei. Urgent Care Hawaii fully supports this bill that will both expand employment opportunities while at the same time, meeting the healthcare needs of the Kapolei community.

Sincerely,
DONNA SCHMIDT, CEO
US MED URGENT CARE, LLC
Dba URGENT CARE HAWAII



February 21, 2018

The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
and Members of the Committee on Finance
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

Dear Chair Luke, Vice Chair Cullen and Committee Members:

Testimony in Support
HB 2659 – Relating to Economic Development
Kapolei Jobs Initiative Pilot Program

The James Campbell Company LLC and its affiliate companies strongly **support** HB 2659. This bill will establish a Kapolei Jobs Initiative pilot program to increase employment opportunities in the Kapolei region by creating incentives for businesses to be formed and locate in Kapolei.

Our organization has been intimately involved in implementing the State and County's public policy of directing growth to Kapolei since the policy was first enacted in the 1970's. We have come a long way since that time and in the 25 years since the first businesses opened their doors in this new city. However, employment growth continues to be a primary need to fulfill the vision of a true urban center to effectively balance the island's economic and community growth.

The Kapolei Jobs Initiative pilot program will help realize the State's long-standing policy to direct economic growth to the secondary urban center, create jobs in the Kapolei region and reduce traffic congestion island-wide. More jobs in the Kapolei Region are needed to keep pace with the area's population growth. This is unfortunately evident in the traffic congestion for tens of thousands of residents' daily commute to downtown Honolulu.

The Kapolei Region is home to O'ahu's landfill, industrial facilities and power generation plants and other necessary, but burdensome facilities that serve all of Oahu. Residents of West Oahu endure hours of traffic congestion because job growth is still maturing and catching up to residential growth after only 25 years. Job creation in the Kapolei region is a quality-of-life, community-building concern affecting employers and employees alike.

I respectfully ask you to support this bill that will bring jobs to the Kapolei region as a part of fulfilling Kapolei's public policy mission.

Sincerely,

Stephen H. Kelly
Vice President

04001300\K10551

HB-2659-HD-1

Submitted on: 2/20/2018 4:14:59 PM

Testimony for FIN on 2/22/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Arlene Estrella	Individual	Support	No

Comments:

TESTIMONY IN SUPPORT OF HB2659 HD1

RELATING TO ECONOMIC DEVELOPMENT

To: Chair Sylvia Luke, Vice Chair Ty J.K. Cullen and members of the Committee on Finance (FIN),

Date: [February 22, 2018](#)

Time: [11:00](#) a..m.

Room Number: Conference Room 308

Hawaii State Capitol

[415 South Beretania Street](#)

[Honolulu, Hawaii 96813](#)

Honorable Chair, Vice Chair and Members of the FIN Committee,

I am writing in SUPPORT of HB2659 HD1 which will establish a Kapolei Jobs Initiative Pilot Program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region.

This initiative will realize the State's long standing policy of redirecting growth to the second urban core, creating jobs, including living wage professional jobs, in the Kapolei region. This will help reduce traffic congestion. More jobs in the Kapolei Region are needed to keep pace with Kapolei's population growth. This is evident in the traffic congestion caused by the number of people who still have to commute to downtown Honolulu for work every day. Job creation in the Kapolei region is a quality-of-life, community-building concern affecting employers and employees alike.

I encourage you to support this bill that will bring jobs to the Kapolei region affecting the lives of many.

Sincerely,

Arlene Estrella

Licensed Massage Therapist

TESTIMONY IN SUPPORT OF HB2659 HD1
RELATING TO ECONOMIC DEVELOPMENT

To: Chair Sylvia Luke, Vice Chair Ty J.K. Cullen and members of the Committee on Finance (FIN),

Date: February 22, 2018
Time: 11:00 a.m.
Room Number: Conference Room 308
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Honorable Chair, Vice Chair and Members of the FIN Committee,

I am writing in SUPPORT of HB2659 HD1 which will establish a Kapolei Jobs Initiative Pilot Program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region.

This initiative will realize the State's long standing policy of redirecting growth to the second urban core, creating jobs, including living wage professional jobs, in the Kapolei region. This will help reduce traffic congestion. More jobs in the Kapolei Region are needed to keep pace with Kapolei's population growth. This is evident in the traffic congestion caused by the number of people who still have to commute to downtown Honolulu for work every day. Job creation in the Kapolei region is a quality-of-life, community-building concern affecting employers and employees alike.

I encourage you to support this bill that will bring jobs to the Kapolei region affecting the lives of many.

Sincerely,
Cheryl Jepsen
Ewa Beach Resident/Owner

HB-2659-HD-1

Submitted on: 2/21/2018 9:37:42 AM

Testimony for FIN on 2/22/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Darrell Kicker	Individual	Support	No

Comments:

Honorable Chair, Vice Chair and Members of the FIN Committee,

I am submitting this testimony in SUPPORT of HB2659 HD1 which will establish a Kapolei Jobs Initiative Pilot Program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region. Not only will this initiative help to realize the state's long standing policy of redirecting growth to the second urban core and reduce traffic congestion, job creation in the Kapolei region is a quality-of-life, community-building concern affecting employers and employees alike.

I commuted from the Kapolei region to Honolulu for work for over eight years. Now that I work in Kapolei (due to the fact that my employer relocated from Honolulu to Kapolei), my quality of life has improved dramatically. I would like for many other residents of this area to be able to improve their daily lives by finding work nearer to where they live.

I encourage you to support this bill that will bring jobs to the Kapolei region.

Sincerely,

Darrell Kicker

Kapolei, HI

LATE



Representative Sylvia Luke , Chair
Representative Ty J.K. Cullen, Vice Chair
House Committee on Finance

RE: HB 2659 HD1 – Relating to Economic Development, In SUPPORT requesting amendment

Working together for Kapolei

Thursday, February 22, 2018; Conference Room 308; 11:00 AM

Aloha Chair Luke, Vice Chair Cullen and Members of the Committee,

On behalf of the Kapolei Chamber of Commerce, I am submitting this testimony **in SUPPORT** of HB2659 HD1. We do however suggest the following amendment addressing the gross annual salary requirement, to keep alignment with the intent of this measure which is creating more professional jobs:

We suggest amending (3) on page 3 – Provides gross annual salaries of \$44,000 or more to at least half of its employees at the establishment in the designated geographic area;

While the intent of the State’s Enterprise Zone is to stimulate job growth for economically depressed areas; the Kapolei Jobs Initiative Pilot Program’s intent is to stimulate professional job growth to help keep pace with Kapolei’s population growth. This Program realizes the State’s long standing policy of redirecting growth to the second urban core. It will create more professional, living wage jobs in the Kapolei region and reduce traffic congestion.

This Pilot Program will help create the needed professional, living wage jobs needed in the region. Job creation in the Kapolei region is a quality-of-life, community-building concern affecting employers and employees alike.

Thank you for your consideration and I respectfully as for you to pass this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Polk".

Kiran Polk
Executive Director

DAVID Y. IGE
GOVERNOR

DOUGLAS S. CHIN
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
830 PUNCHBOWL STREET, ROOM 221
HONOLULU, HAWAII 96813
<http://tax.hawaii.gov/>
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

LATE

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Thursday, February 22, 2018
Time: 11:00 A.M.
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 2659, H.D. 1, Relating to Economic Development

The Department of Taxation (Department) offers the following comments regarding H.B. 2659, H.D. 1, for your consideration.

Among other things, H.B. 2659, H.D. 1, creates a new income tax credit for qualifying businesses under the Kapolei Jobs Initiative pilot program, provided that not more than 20 business per calendar year may qualify. H.D. 1 has a defective effective date of July 1, 2112, but otherwise applies to taxable years beginning after December 31, 2018, and is repealed on December 31, 2023.

First, the Departments notes that the House Committee on Economic Development & Business adopted the Department's suggestion to make the credit calculated on the amount of unemployment insurance premiums actually paid rather than the amount accrued and to require a net gain of one location in order to qualify for the credit.

Second, the Department suggests requiring a net gain of ten employees in the State and a net gain of ten employees in the designated geographic area in order to be a "qualified business." Paragraph 2 of the current definition of "qualified business" only requires a net gain of ten employees if the business is already established in the designated geographic area. This suggestion is consistent with requiring a net gain of one location that was added in H.D. 1.

Third, the Department notes that this proposed program is very similar to the current Enterprise Zone program found at Hawaii Revised Statutes (HRS) chapter 209E. Because of its similarity, and because parts of the Kapolei region is already in an existing Enterprise Zone, the Committee may want to consider changing the definition of "eligible business activity" in HRS chapter 209E rather than creating a new program which will require new rules, procedures, and forms. Changing the definition of "eligible business activity" may also benefit other economically depressed areas in the State.

Finally, the Department will be able to implement this measure with its current effective date.

Thank you for the opportunity to provide comments.

LATE

HB-2659-HD-1

Submitted on: 2/21/2018 4:12:42 PM

Testimony for FIN on 2/22/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Steven Kothenbeutel	Kapolei Chamber of Commerce	Support	Yes

Comments:

Representatives & Members of the Finance Committee,

I submit my testimony in support of HB2659. House Bill 2659 is intended to diversify the Kapolei regional economy by encouraging a wider range of industries, specialties, and professions to expand into Kapolei. We have witnessed the steady growth of retail and industrial activities over the past several decades. What is missing are attorneys, accountants, medical practitioners, and other professionals to fill in a void in the employment composition of Kapolei. Until this occurs, Kapolei isn't a city but rather a suburb of Honolulu. This bill will give Kapolei the opportunity to become a diverse employment center.

Thank you,

LATE

HB-2659-HD-1

Submitted on: 2/21/2018 5:09:02 PM

Testimony for FIN on 2/22/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kevin Rathbun	Individual	Support	Yes

Comments:

Honorable Chair, Vice Chair and Members of the FIN Committee,

On behalf of myself, I am writing in SUPPORT of HB2659 HD1 which will establish a Kapolei Jobs Initiative Pilot Program that offers incentives to increase the number of businesses willing to establish themselves or open a new location in the Kapolei region.

This initiative will realize the State's long standing policy of redirecting growth to the second urban core, creating jobs, including living wage professional jobs, in the Kapolei region. This will help reduce traffic congestion. More jobs in the Kapolei Region are needed to keep pace with Kapolei's population growth. This is evident in the traffic congestion caused by the number of people who still have to commute to downtown Honolulu for work every day. Job creation in the Kapolei region is a quality-of-life, community-building concern affecting employers and employees alike.

I encourage you to support this bill that will bring jobs to the Kapolei region affecting the lives of many.


Sincerely,

Kevin Rathbun

Ewa Beach Business Owner and Resident



To: The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
Members, Committee on Finance

From:  Paula Yoshioka, Vice President, Government Relations and External Affairs, The Queen's Health Systems

Date: February 22, 2018

Hrg: House Committee on Finance Hearing; Thursday, February 22, 2018 at 11:00 A.M. in Room 308

Re: **Support for HB 2659, HD1, Relating to Economic Development**

My name is Paula Yoshioka, and I am a Vice President at The Queen's Health Systems (QHS). I would like to express my **support** for HB 2659, HD1, Relating to Economic Development. This bill would establish a five year Kapolei jobs initiative pilot program to increase the number of jobs in Kapolei by creating incentives for businesses to establish themselves in the Kapolei region.

There are four hospitals under QHS: The Queen's Medical Center – Punchbowl, The Queen's Medical Center - West Oahu, Molokai General Hospital and North Hawaii Community Hospital. The Queen's Medical Center - West Oahu (QMC-WO) is an additional location and division of The Queen's Medical Center (QMC) and serves the mission of QHS to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawaii.

QMC-WO is located west of Honolulu and serves the communities of Aiea, Pearl City, Mililani, Waipio, Waipahu, Ewa Beach, Kapolei, Makakilo, Nanakuli and Waianae. According to the 2010 U.S. Census, West Oahu is the fastest growing region on the island and by 2030, it is expected to be home to 50% of Oahu's residents. The West Oahu community continues to experience a high need for hospital-based care. As the only full service emergency hospital in the region, QMC-WO plays a critical role in supporting the health and well-being of the West Oahu community.

QHS believes this bill will provide our facilities with the resources to expand health care services in the Kapolei region to meet the growing community need. Thank you for your time and attention to this important issue.