



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

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Website: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Wednesday, February 7, 2018
9:30 a.m.
State Capitol, Conference Room 309
in consideration of
HB 2659
RELATING TO ECONOMIC DEVELOPMENT.

Chair Evans, Vice Chair Keohokalole, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) offers comments on SB 2558. 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.

DBEDT questions the fairness of using the state tax code to the advantage of one part of the State over all others, many of which have far fewer assets and resources than the Kapolei area. An alternative approach for Kapolei to consider would be a business attraction marketing program highlighting the assets Kapolei already has as a business investment location.

Additionally, this initiative would require DBEDT to establish a whole new program including new reporting and tracking systems, as well as requesting more staff. No funds or positions have been allocated for this. DBEDT estimates that \$150,000 in each year of the biennium is necessary to implement this measure.

We defer to the Departments of Budget and Finance and Taxation for the fiscal impacts of this measure.

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: SB 2558

INTRODUCED BY: GABBARD, ESPERO, GREEN, Baker, S. Chang

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 \$25,000 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: This Act shall apply to taxable years beginning after December 31, 2018; provided that section 3 shall be repealed on December 31, 2023.

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 (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; additional clarity is needed.

Digested 1/31/2018

Testimony of
Christopher Delaunay, Government Relations Manager
Pacific Resource Partnership

THE HOUSE
The Twenty-Ninth Legislature
Regular Session of 2018

COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

Representative Cindy Evans, Chair
Representative Jarrett Keohokalole, Vice Chair

Wednesday, February 7, 2018
9:30 A.M.
State Capitol – Room 309

Aloha Chair Evans, Vice Chair Keohokalole, and members of the Committee:

We support HB 2659 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. This measure establishes a tax credit, until 12/31/2023, as part of the Kapolei jobs initiative pilot program and allows the tax credit to be claimed through 12/31/2028.

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.



(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.

HB-2659

Submitted on: 2/5/2018 1:27:49 PM

Testimony for EDB on 2/7/2018 9:30:00 AM

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

Comments:

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

On behalf of myself, I am writing in SUPPORT of HB2659 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 is an evolution of the current Enterprise Zone and 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

Small Business Owner



**Testimony in Support of House Bill No. 2659,
Relating To Economic Development**

**Testimony of Sweetie Nelson, Director of Destination Marketing,
Ko Olina Resort Operators Association
Before the Committee on Economic Development & Business
Wednesday, February 7, 2018, 9:30 am, Conference Room 309**

Aloha Chair Evans, Vice Chair Keohokalole and Members of the Committee,

My name is Sweetie Nelson. I am the director of destination marketing for Ko Olina Resort Operators Association, representing the hotels, resorts and other commercial businesses at Ko Olina. We strongly support this measure, which would establish a five-year Kapolei jobs initiative pilot program.

We at Ko Olina have grown increasingly concerned that the growth of the population in our region — which has been directed by the city's General Plan — has created a demand for employment that cannot currently be met by area employers.

In addition to the tremendous increase in residential housing, which has occurred and continues at a steady pace, the nearby Waianae Coast has one of the highest levels of unemployment in the state. Clearly, something bold needs to be done to deal with the combined issues of structural unemployment and increasing population.

The Kapolei Jobs Initiative Pilot Program provides the kind of incentives needed to generate greater business growth and the attendant boost in employment. The provisions of this legislation will increase the number of businesses willing to open their doors or add new branches in the area.

Moreover, this initiative represents a significant improvement over the current Enterprise Zone in its ability to create jobs in the Kapolei region and will help reduce one of our biggest problems: traffic congestion. This congestion is a direct result of too many from West Oahu having to commute to Honolulu and Waikiki for work every day.

The proposed measure will allow residents to live, work, learn and play near their homes. Because of the range of benefits it can provide, we encourage you to support this bill.

Mahalo for the opportunity to share our thoughts on this important legislation.

PAT LEE

& Associates, LLC

To: Chair Cindy Evans, Vice Chair Jarrett Keohokalole and members of the Committee of Economic Development and Business (EDB),

Date: February 7, 2018

Time: 9:30 AM

Room Number: Conference Room 309

Hawaii State Capitol

415 South Beretania Street

Honolulu, Hawaii 96813

Re: Testimony in support of HB2659, relating to economic development

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

I am writing you in **SUPPORT of HB2659** 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.

As a consultant working on land use projects and policy issues since the 1990's, I have spent much time in West Oahu over the past two decades. I often drive out to the Kapolei area for meetings at different times of the day. It can take me an hour or more to do so. I feel for the residents of Kapolei and the leeward coast who have to commute daily to and from work in these horrible traffic conditions.

More jobs in Kapolei are needed to keep pace with the area's rapid population growth. Creating more jobs in Kapolei would give area residents the opportunity to live and work in their area, and more free time to spend with their families rather than being stuck in traffic.

This initiative is an evolution of the current Enterprise Zone and will realize the State's long standing policy of redirecting growth to the secondary urban core, creating jobs, including living wage professional jobs, in the Kapolei region. I have no doubt this effort could help reduce some of the traffic congestion.

Each new job created could potentially take one car off the road, who would otherwise be driving to and from urban Honolulu for work. Job creation in Kapolei is a quality-of-life issue affecting the regions employers and employees, and especially their families.

For these reasons, I respectfully request that your committee approve HB 2659.

Mahalo.



February 5, 2018

The Honorable Cindy Evans, Chair
The Honorable Jarrett Keohokalole, Vice Chair
and Members of the Committees of
Economic Development and Business
Hawaii State Capitol
415 South Beretania Street, Conference Room 309
Honolulu, Hawaii 96813

Dear Chair Evans, Vice Chair Keohokalole and Committee Members:

Testimony in Support
HB 2659 – Relating to Economic Development and Business
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 Kelly
Vice President

15033200\K11819

TESTIMONY IN SUPPORT OF HB2659
RELATING TO ECONOMIC DEVELOPMENT

To: Chair Cindy Evans, Vice Chair Jarrett Keohokalole and members of the Committee of Economic Development and Business (EDB),

Date: February 7, 2018

Time: 9:30 a.m.

Room Number: Conference Room 309

Hawaii State Capitol

415 South Beretania Street

Honolulu, Hawaii 96813

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

I am writing in SUPPORT of HB2659 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 is an evolution of the current Enterprise Zone and 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

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

Date: February 7, 2018

Time: 9:30 a.m.

Room Number: Conference Room 309

Hawaii State Capitol

415 South Beretania Street

Honolulu, Hawaii 96813

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the Committee on Economic Development & Business:

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

HB-2659

Submitted on: 2/5/2018 4:46:32 PM

Testimony for EDB on 2/7/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Alex Bresslauer		Support	No

Comments:

I am in support of HB 2659, and job growth in Kapolei.

Alex Bresslauer

HB-2659

Submitted on: 2/5/2018 4:46:32 PM

Testimony for EDB on 2/7/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeff Moniz		Support	No

Comments:

TESTIMONY IN SUPPORT OF HB2659

RELATING TO ECONOMIC DEVELOPMENT

To: Chair Cindy Evans, Vice Chair Jarrett Keohokalole and members of the Committee of Economic Development and Business (EDB),

Date: February 7, 2018

Time: 9:30 a.m.

Room Number: Conference Room 309

Hawaii State Capitol

415 South Beretania Street

Honolulu, HI 96813

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

Although I work as the Vice Chancellor for Academic Affairs at UH West O'ahu, I am writing this as an individual who is a longtime resident of West O'ahu. I am also writing this as a parent of school aged children whose future will likely reside in Kapolei. I am writing in SUPPORT of HB2659, 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.

I know, firsthand, the improvement in one's quality of life when you can live and work in the same region. For 34 years, I commuted to school or work in Town, from my home in West O'ahu. Less than two years ago, I left my professor position at UH-Mānoa to work at UH-West O'ahu, which happens to be only 10 minutes from my home in Makakilo. Now that I work closer to home, I've regained a couple of hours, every day. In the valuable time that I've recovered, I'm able to be a better father and husband. We also don't have to resort to eating fast food due to the mental exhaustion that the daily commute would cause. We'd often resort to fast food as a convenient way to feed our family because we lacked the time to prepare healthier options. The change has personally resulted in better physical and mental health for my children and myself. I'm also able to perform better at my job.

In the future, as my children become adults, I hope that Kapolei will have the kinds of business opportunities for employment that will make it attractive for them to stay home, to live and work on the West Side.

Sincerely,

Jeffrey Moniz, PhD

Vice Chancellor & Professor

Resident of Kapolei

jeffmoniz@gmail.com

HB-2659

Submitted on: 2/5/2018 5:55:18 PM

Testimony for EDB on 2/7/2018 9:30:00 AM

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

Comments:

We are in STRONG SUPPORT of this bill. Native Hawaiians have Homesteads in Kapolei, NÄ• nÄ• kuli & Wai`anae. We spend on average, four (4) hours per day driving to & from Honolulu, for work & business.

However, when the Plan was made for the creation of the new "Second City", we were promised that we would have business & employment closer to home. Twenty-Five years later, that promise is wholly unfulfilled! Most of the businesses are big corporations from out-of-state. Small local businesses need help & a chance to survive in Kapolei. This bill is a great way for the State to live up to its promise. Mahalo.

HB-2659

Submitted on: 2/5/2018 6:36:31 PM

Testimony for EDB on 2/7/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities	Support	No

Comments:

**PRESENTATION OF THE
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES**

DEMOCRATIC PARTY OF HAWAII

TO THE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

HOUSE OF REPRESENTATIVES

TWENTY-NINTH LEGISLATURE

REGULAR SESSION OF 2018

Wednesday, February 7, 2018

9:30 a.m.

Hawaii State Capitol, Conference Room 309

RE: **Testimony in Support** of HB 2659, RELATING TO
ECONOMIC DEVELOPMENT

To the Honorable Cindy Evans, Chair; the Honorable Jarrett Keohokalole, Vice-Chair and Members of the Committee on Economic Development & Business:

Good morning. My name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on House Bill No. 2659, regarding the Kapolei Jobs Initiative Pilot Program;

The OCC Legislative Priorities Committee is in favor of House Bill No. 2659 and support its passage.

House Bill No. 2659 is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it 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. House Bill No. 2659 also establishes a tax credit, until 12/31/2023, as part of the Kapolei jobs initiative pilot program and allows the tax credit to be claimed through 12/31/2028.

Specifically, the DPH Platform provides that a "diversified and healthy economy in Hawai'i requires a well-educated and healthy citizenry. To encourage existing and new enterprise, we need to develop a combination of tax policies and credits, lending programs, and financial incentives that will attract the business community." (Platform of the DPH, P. 1, Lines 38-40 (2016)).

Given that House Bill No. 2659 provides for the Kapolei Jobs Initiative Pilot Program, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ **Melodie Aduja**

Melodie Aduja, Chair, OCC Legislative Priorities Committee

Email: legislativepriorities@gmail.com, Tel.: (808) 258-8889

HB-2659

Submitted on: 2/5/2018 7:35:11 PM

Testimony for EDB on 2/7/2018 9:30:00 AM

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

Comments:

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

On behalf of Coral Crater LLC., I am writing in SUPPORT of HB2659 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 is an evolution of the current Enterprise Zone and 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,

Jim Owen

CEO

Coral Crater Adventure Park

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

February 5, 2018

The Honorable Cindy Evans, Chair, Chair
and Members
Committee on Economic Development and Business

Hawaii State Capitol
514 Beretania Street
Honolulu, Hawaii 96813

RE: HB2659, RELATING TO ECONOMIC DEVELOPMENT

I 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

IBEW1260

‘A‘OHE HANA NUI KE ALU ‘IA

February 7, 2018

The Twenty-Ninth Legislature
Hawaii State House of Representatives
Committee on Economic Development & Business

HB2659 - RELATING TO ECONOMIC DEVELOPMENT

Chair Evans, Vice Chair Keohokalole and Members of the Committee,

The International Brotherhood of Electrical Workers Local Union 1260, AFL-CIO (IBEW1260), represents more than 3500 members, has advocated for all workers in the State of Hawaii for over seventy-five years, and respectfully offers the following testimony in **SUPPORT with amendments** of House Bill 2659 (HB2659).

While IBEW1260 strongly supports the intent of HB2659, as a consistent advocate for Hawaii's workers it is our belief that any incentive should only be provided to responsible employers providing quality jobs, and respectfully request the following amendment:

*Page 3, Line 1: (3) Provides gross annual salaries of ~~\$25,000~~ **\$31,200** or more to ~~at least half~~ **all** of its employees at the establishment in the designated geographic area;*

Besides being pono, the amendment continues to meet the intent of HB2659, and provides an incentive for workers to remain in the geographic region without needing to seek adequate employment elsewhere, ultimately improving the quality of life for many of Hawaii's working families.

Mahalo for the opportunity to testify on this issue.

Respectfully,



Michael M. Brittain
Asst. Business Manager
IBEW1260 / AFL-CIO

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

To: The Honorable Cindy Evans, Chair
and Members of the House Committee on Economic Development & Business

Date: Wednesday, February 7, 2018
Time: 9:30 A.M.
Place: Conference Room 309, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: H.B. 2659, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 2659, but has concerns over certain aspects of the measure. The Department otherwise defers to the Department of Business, Economic Development, and Tourism (DBEDT) on the merits of this bill and provides the following comments for your consideration.

Among other things, H.B. 2659 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. The measure applies to taxable years beginning after December 31, 2018, and is repealed on December 31, 2023.

First, 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 Department believes that it is more efficient to change the definition of “eligible business activity” in HRS chapter 209E rather than creating a new program which will require new rules, procedures, and forms. In addition, changes to the definition of “eligible business activity” will also benefit other economically depressed areas rather than just one particular area of the State.

Second, the Department has concerns that this program will simply cause existing businesses that are not in the Kapolei region to simply relocate there in order to obtain the benefits, without actually increasing the number of any employees. The measure only requires that a qualified business open “a new location within the designated geographic area” and have a minimum of 10 employees. Adding additional employees is required only if a business is already in the Kapolei region and opens another location there. For example, a business otherwise meeting the requirements but not located in Kapolei could simply relocate the business to Kapolei, bring all of its current employees over, and thereby be entitled to the benefits of this measure, even though no additional employees were added.

This ability to simply relocate to the Kapolei region and yet earn the credit is important because, unlike the Enterprise Zone Program, qualified business activity also includes retail businesses if greater than fifty per cent of its sales are to Hawaii general excise tax license holders. This definition would allow, for example, an equipment leasing company which rents equipment to contractors, to simply relocate to the Kapolei area and obtain the benefits of the credit. Even if a business is already located in Kapolei, the business could “sell” itself to another entity (even one owned by the same owners) and then claim to be a new business meeting the requirements.

In order to address this issue, the Department suggests amending the definition of “qualified business” to clarify that the establishment of a new location in the “designated geographic area” must result in a net gain of at least one location to the business. This would disqualify a business that is simply relocating.

Third, the Department notes that subsection (b)(2) of the new credit provides for a decreasing income tax credit based on “the amount of unemployment insurance accrued or paid by an employer under chapter 383”. This differs from the current Enterprise Zone program by allowing unemployment insurance premiums accrued but unpaid to be counted in determining the income tax credit. The Department strongly recommends that this measure be amended to allow the credit only on accrued unemployment insurance actually paid, to prevent an employer from obtaining an income tax credit based on amounts which have not been paid.

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

Thank you for the opportunity to provide comments.

HB-2659

Submitted on: 2/6/2018 8:45:39 AM

Testimony for EDB on 2/7/2018 9:30:00 AM

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

Comments:

TESTIMONY IN SUPPORT OF HB2659

RELATING TO ECONOMIC DEVELOPMENT

To: Chair Cindy Evans, Vice Chair Jarrett Keohokalole and members of the Committee of Economic Development and Business (EDB),

Date: February 7, 2018

Time: 9:30 a.m.

Room Number: Conference Room 309

Hawaii State Capitol

415 South Beretania Street

Honolulu, Hawaii 96813

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

I am writing in SUPPORT of HB2659 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 is an evolution of the current Enterprise Zone and 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, Lic Massage Therapist



Representative Cindy Evans, Chair
Representative Jarrett Keohokalole, Vice Chair
House Committee on Economic Development and Business

**RE: HB 2659 – Relating to Economic Development, In Support,
Requesting Amendments**

Wednesday, February 7, 2018; Conference Room 309; 9:30 AM

Working together for Kapolei

Aloha Chair Evans, Vice Chair Keohokalole and Members of the Committee,

On behalf of the Kapolei Chamber of Commerce, I am submitting this testimony **in SUPPORT** of HB 2659, however, would like to offer the following amendments to address some of the concerns that have been raised.

1. We would like to clarify the intent of this measure by amending “qualified business” on page 2 (1) – Qualified business means a business that establishes themselves within the designated geographic area or an existing business that adds a new location in the designated geographic area;
2. As the intent is to create 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;
3. We agree with the Department of Taxation’s suggestion to allow the credit only on accrued unemployment insurance actually paid.

The Kapolei Jobs Initiative Pilot Program compliments the Enterprise Zone program. While the Enterprise Zone’s intent 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.

Job creation in the Kapolei region is a quality-of-life, community-building concern affecting employers and employees alike.

We ask for your favorable consideration of this measure. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Kiran Polk". The signature is written in a cursive, flowing style.

Kiran Polk
Executive Director



STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.labor.hawaii.gov
Phone: (808) 586-8844 / Fax: (808) 586-9099
Email: dlir.director@hawaii.gov

February 6, 2018

To: The Honorable Cindy Evans, Chair,
The Honorable Jarrett Keohokalole, Vice Chair and
Members of the House Committee on Economic Development and Business

Date: Wednesday, February 7, 2018
Time: 9:30 a.m.
Place: Conference Room 309, State Capitol

From: Leonard Hoshijo, Acting Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. 2659 RELATING TO ECONOMIC DEVELOPMENT

I. OVERVIEW OF PROPOSED LEGISLATION

This proposal seeks to add a new chapter to the Hawaii Revised Statutes (HRS), creating a new tax credit for qualifying businesses under the Kapolei Jobs Initiative pilot program. The department defers to the Department of Business, Economic Development, and Tourism (DBEDT) and the Department of Taxation (DOTAX) on the merits of this bill and offers comments for your consideration.

II. COMMENTS ON THE HOUSE BILL

1. The proposed section 235-__ (b)(2), HRS provides for a decreasing income tax credit based on "the amount of unemployment insurance accrued or paid by an employer under Chapter 383." The Department recommends that this measure be amended to eliminate "accrued or" and base the tax credit only on amounts paid by the employer in Unemployment Insurance (UI) contributions. It would be inconsistent with the purpose of this proposal to allow tax credits for accrued UI amounts that have not actually been paid.
2. The department suggests a technical amendment be made to replace the term "Unemployment Tax Credit" in the Report Title with "Income Tax Credit" so the measure is not misconstrued by employers as reducing their UI tax liabilities.



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

Representative Cindy Evans, Chair
Representative Jarrett Keohokalole, Vice Chair
House Committee on Economic Development & Business

RE: HB 2659 – Relating to Economic Development - IN SUPPORT
Wednesday, February 7, 2018
Conference Room 309; 9:30 AM

Aloha Chair Evans, Vice Chair Keohokalole and Members of the Committee,

Thank you for the opportunity to submit testimony in support of HB 2659 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.

Creating more professional jobs in the Kapolei region is needed in order to keep pace with Kapolei's population growth and will 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.

Thomas Lee
Senior Vice President
Hunt Companies, Hawaii Division





Chamber of Commerce HAWAII

The Voice of Business

Testimony to the House Committee on Economic Development & Business
Wednesday, February 6, 2018 at 9:30 A.M.
Conference Room 309, State Capitol

LATE

RE: HOUSE BILL 2659 RELATING TO ECONOMIC DEVELOPMENT

Chair Evans, Vice Chair Keohokalole, and Committee Members:

The Chamber of Commerce Hawaii ("The Chamber") **supports the intent** of HB 2659, 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, until 12/31/2023, as part of the Kapolei jobs initiative pilot program and allows the tax credit to be claimed through 12/31/2028.

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.

LATE

HB-2659

Submitted on: 2/6/2018 7:55:17 PM

Testimony for EDB on 2/7/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Tsang	MyGoCenter	Support	No

Comments:

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

On behalf of MyGoCenter, LLC & Super Processor, Inc., I am writing in SUPPORT of HB2659 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.

I am a business owner in Kapolei and interested in building Super Processor's call center and data center for payment processing in the Kapolei area. Super Processor will become the first and only payment processor based in Hawaii. If the incentives pass under this bill, we will be able to create hundreds of jobs over 2-3 years. Other payment processors in different cities employ more than 5,000 employees. By already investing into the region, Super Processor recognizes the talent pool and resources based in Kapolei.

If this bill is passed, it will help drive other industries to expand into Hawaii that is not related to tourism or the military industries. I hope this bill creates the job opportunities the Kapolei region for the greater well being of the state of Hawaii.