

STAND. COM. REP. NO.

1610

Honolulu, Hawaii

MAR 22 , 2019

RE: S.B. No. 972
S.D. 1
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred S.B. No. 972, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO SHIP REPAIR INDUSTRY,"

begs leave to report as follows:

The purpose of this measure is to establish the Ship Repair Industry Tax Credit (Tax Credit) for non-profit entities to offset costs incurred to construct and place into service a purpose-built floating drydock at Pearl Harbor for use by the United States Navy.

The Chamber of Commerce Hawaii, Ship Repair Association of Hawaii, Pacific Marine & Supply Co., and a few concerned individuals testified in support of this measure. A & B Electric Co., Inc., Marisco, Ltd., and C&S Services, Inc. testified in opposition to this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments on this measure.

Your Committee finds that making the Tax Credit applicable to non-profit entities does not make sense, as non-profit entities do not incur any tax liability. Although concerns were raised at the public hearing on the measure regarding the Tax Credit's applicability on various types of entities, your Committee finds that deleting any references to non-profit entities, along with

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the ongoing discussion on these issues with the stakeholders, will resolve these concerns.

Accordingly, your Committee has amended this measure by deleting any references to non-profit entities and making the Tax Credit applicable to all entities.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 972, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 972, S.D. 1, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business,



ANGUS L.K. MCKELVEY, Chair



