STAND. COM. REP. NO. 65 -20

Honolulu, Hawaii

FEB 14 , 2020

RE: H.B. No. 2627 H.D. 1

Honorable Scott K. Saiki Speaker, House of Representatives Thirtieth State Legislature Regular Session of 2020 State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 2627 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to provide that Chapter 1, Subchapter Z (with respect to opportunity zones), of the Internal Revenue Code shall not be operative for the purposes of state income tax law.

Your Committee received testimony in opposition to this measure from the Department of Business, Economic Development, and Tourism. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that this measure would disallow tax deferrals on capital gains that are reinvested in qualified opportunity zones, which are generally economically distressed areas that are specially designated by state governors.

Your Committee is concerned that some designated opportunity zones offer little to no potential impact to low-income areas because most of the region of some opportunity zones are on conservation land or inhospitable terrain. Furthermore, your Committee notes that some of the opportunity zones, while low-

income areas in the past, are now high-income areas where investors may be receiving an unfair tax advantage with no benefit to a truly low-income area. However, your Committee also notes that opportunity zones can offer an important investment tool for Aloha Stadium and the Hilo redevelopment area. Because of these concerns, your Committee recommends that this measure eliminate the tax advantages for taxable years beginning after December 31, 2022.

Accordingly, your Committee has amended this measure by:

- (1) Making it applicable to taxable years beginning after December 31, 2022;
- (2) Changing its effective date to July 1, 2112, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

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 H.B. No. 2627, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2627, 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

State of Hawaii House of Representatives The THIRTIETH Legislature

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: HB 2627		Committee Referral: EDB, FIN			Date: 2/12/2020		
☐ The committee is reconsidering its pr	evious decision o	on the measure.					
The recommendation is to: □ Pass, unamended (as is) □ Pass, with amendments (HD) □ Hold □ Pass short form bill with HD to recommit for future public hearing (recommit)							
EDB Members		Ayes	Ayes (W	R)	Nays	Excused	
1. McKELVEY, Angus L.K. (C)							
2. KITAGAWA, Lisa (VC)				accini pranci de diversos	ikur - tori merci sati katikan san		
3. ELI, Stacelynn K.M.		<u> </u>					
4. ICHIYAMA, Linda					nostastastino tas		
5 JOHANSON Asset Line							
5. JOHANSON, Aaron Ling							
6. QUINLAN, Sean							
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7. YAMASHITA, Kyle T.		· · · · · · · · · · · · · · · · · · ·					
8. MATSUMOTO, Lauren							
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TOTAL (8)		8	0	-	0	0	
The recommendation is: Adopted If joint referral, did not support recommendation. committee acronym(s)							
Vice Chair's or designee's signature:							
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO							