STAND. COM. REP. NO. 736

Honolulu, Hawaii

MAR 03 2011 RE: S.B. No. 831 S.D. 2

Honorable Shan S. Tsutsui President of the Senate Twenty-Sixth State Legislature Regular Session of 2011 State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 831, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a state New Markets tax credit for qualified equity investment on a credit allowance date that shall be exempt from the requirements of section 704(b)(2) of the Internal Revenue Code; provided that:

- (1) Community development entity investments shall be restricted to low-income communities in Hawaii; and
- (2) Franchise taxes under chapter 241, Hawaii Revised Statutes, and insurance premium taxes under chapter 431, Hawaii Revised Statutes, shall be eligible for the tax credit.

Your Committee received comments on this measure from the Tax Foundation of Hawaii; and Yuka Nagashima, Executive Director & CEO, High Technology Development Corporation.

Your Committee finds that the federal New Markets tax credit was adopted as part of the Community Renewal Tax Relief Act of 2000 (Public Law 106-554) to address the lack of capital available to businesses and economic development ventures in low-income communities. Your Committee also finds that the federal New



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Markets tax credit program has assisted in many development projects in depressed communities.

Your Committee has amended this measure by:

- (1)Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 831, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 831, S.D. 2.

> Respectfully submitted on behalf of the members of the Committee on Ways and Means,

And Yye DAVID Y. IGE, Chair



The Senate Twenty-Sixth Legislature State of Hawaiʻi

Record of Votes Committee on Ways and Means WAM

Bill / Resolution No.:*	Committee Referral:			Date:	
58831 SD1	EDT, WAM			2 24 11	
The committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)		\checkmark			
KIDANI, Michelle N. (VC)					V
CHUN OAKLAND, Suzanne					
DELA CRUZ, Donovan M.		\mathbf{V}			
ENGLISH, J. Kalani		V			
ESPERO, Will		V			
FUKUNAGA, Carol					
KIM, Donna Mercado					
KAHELE, Gilbert					
KOUCHI, Ronald D.		\checkmark			
RYAN, Pohai					
TOKUDA, JIII N.					
WAKAI, Glenn					
SLOM, Sam					
TOTAL		13	D	0	· 1
Recommendation:					
Chair's or Designee's Signature:					
Smanne Chun Caleland					
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy					

*Only one measure per Record of Votes