

Honolulu, Hawaii

MAR 02 2012

RE: S.B. No. 2895
S.D. 2

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B.
No. 2895, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO NEW MARKETS TAX CREDITS,"

begs leave to report as follows:

The purpose and intent of this measure is to facilitate
community development by establishing incentives to spur such
initiatives.

Specifically, the measure:

- (1) Defines "community development entity" to allow
financing to be provided by the State through a
structure that facilitates the use of federal new
markets tax credits;
- (2) Expands the methods of delivering funding to a project
by providing loans to capitalize a community development
entity and to provide guarantees or other credit
enhancements that will facilitate private lenders'
participation in new markets tax credit financing;
- (3) Adjusts loan maximums and establishes guarantees or
credit enhancements to reflect current available funding
and facilitates monetization of existing project assets
for purposes of new markets tax credit financing; and
- (4) Establishes a state new markets tax credit.



Written comments on this measure were submitted by the Department of Business, Economic Development, and Tourism and the Tax Foundation of Hawaii.

Your Committee finds that the Hawaii community-based economic development technical and financial assistance program in the Department of Business, Economic Development, and Tourism, was established to provide financial assistance to community-based businesses and enterprises through low-interest loans and grants to qualifying applicants. Your Committee also finds that there are various programs provided by the federal government, nonprofit organizations, and foundations, as well as opportunities provided by public-private partnerships, that could help foster community-based economic development for various products and services that demonstrate and embrace Hawaii's diversified economy. Your Committee believes that this measure would allow project funding provided by the State to become more efficient and effective by providing the funding in the form most compatible with these programs and in the manner most suitable to optimize all sources of funding.

Your Committee also finds that the federal new markets tax credit program was created to facilitate projects in low-income communities, and the program has been used successfully in several other states. Your Committee believes that the state new markets tax credit established by this measure would serve to support efforts to revitalize low-income communities throughout the State.

Your Committee has amended this measure by:

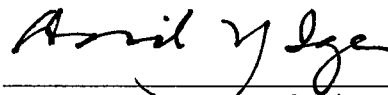
- (1) Amending all references to "community development entity" to read "qualified community development entity", in accordance with section 45D(c)(1) of the Internal Revenue Code;
- (2) Deleting amendments to the State's income tax law to exempt certain entities that provide potable water;
- (3) Deleting sections 12 and 13 of the measure, relating to amendments made to the State's general excise tax law to exempt certain entities that provide potable water;
- (4) Specifying the taxable years to which part II of the measure would apply;



- (5) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (6) Making technical nonsubstantive amendments for the purposes of consistency, 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. 2895, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2895, S.D. 2.

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



DAVID Y. IGE, Chair



The Senate
Twenty-Sixth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
<i>SB 2895, SD1</i>	<i>EDT, WAM</i>	<i>2-24-12</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"><input type="checkbox"/> Pass, unamended 2312</div> <div style="text-align: center;"><input checked="" type="checkbox"/> Pass, with amendments 2311</div> <div style="text-align: center;"><input type="checkbox"/> Hold 2310</div> <div style="text-align: center;"><input type="checkbox"/> Recommit 2313</div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
FUKUNAGA, Carol	✓			
KIM, Donna Mercado	✓			
KAHELE, Gilbert	✓			
KOUCHI, Ronald D.	✓			
RYAN, Pohai	✓			
TOKUDA, Jill N.	✓			
WAKAI, Glenn	✓			
SLOM, Sam	✓			
TOTAL	<i>14</i>	<i>0</i>	<i>0</i>	<i>0</i>
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted </div>				
Chair's or Designee's Signature: <div style="text-align: center; margin-top: 10px;"> </div>				
<div style="display: flex; justify-content: space-between; font-size: small;"> <div>Distribution:</div> <div>Original</div> <div>Yellow</div> <div>Pink</div> <div>Goldenrod</div> </div> <div style="display: flex; justify-content: space-between; font-size: x-small; margin-top: 2px;"> <div>File with Committee Report</div> <div>Clerk's Office</div> <div>Drafting Agency</div> <div>Committee File Copy</div> </div>				

*Only one measure per Record of Votes