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Honolulu, Hawaii February 16, 2017

RE: H.B. No. 591 H.D. 1

Honorable Joseph M. Souki Speaker, House of Representatives Twenty-Ninth State Legislature Regular Session of 2017 State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 591 entitled:

"A BILL FOR AN ACT RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to help qualified infrastructure tenants who were displaced from the Kapalama Container Terminal site to use the Capital Infrastructure Tax Credit as originally intended by the Legislature in 2014 to help finance the tenants' relocation and infrastructure improvements on state-owned lands.

Specifically, this measure:

- Includes structures, machinery, equipment, and capital assets in the definition of capital infrastructure costs for the Capital Infrastructure Tax Credit;
- (2) Sets a cap on the credit per taxable year per qualified infrastructure tenant;
- (3) Specifies that excess tax credits may be carried forward;



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- (4) Recaptures credit if qualified infrastructure tenant fails to relocate within a certain period of time after executing a lease with the Department of Transportation; and
- (5) Specifies taxpayer reporting requirements.

The Chamber of Commerce Hawaii, Pacific Shipyards, and several concerned individuals supported this measure. The Department of Taxation and Tax Foundation of Hawaii offered comments.

Your Committee has amended this measure by:

- (1) Reinstating statutory language in the definition of "qualified infrastructure tenant" that requires the tenant to be a business that, among other criteria, is included under the State's plan to relocate the business to Piers 24 through 28 within Honolulu Harbor; and
- (2) Changing its effective date to July 1, 2038, to promote further discussion.

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. 591, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 591, 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,

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MARK M. NAKASHIMA, Chair



## State of Hawaii House of Representatives The Twenty-ninth Legislature

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: $\#B.591$ Committee Referral: $EDB_1FIN$ Date: $2/10/17$ $\theta$ The committee is reconsidering its previous decision on the measure.       Date: $2/10/17$ The recommendation is to: $\theta$ Pass, unamended (as is) $\theta$ Pass, with amendments (HD) $\theta$ Hold $\theta$ Pass short form bill with HD to recommit for future public hearing (recommit)									
					EDB Members	Ayes	Ayes (WR)	Nays	Excused
					1. NAKASHIMA, Mark M. (C)			u	· · · · ·
2. KEOHOKALOLE, Jarrett (VC)									
3. HOLT, Daniel				a tool in the state of the					
A JOHANSON Association									
4. JOHANSON, Aaron Ling	/								
5. TAKUMI, Roy M.									
6. YAMASHITA, Kyle T.				HANDER DER BEIST DER HAN					
7. MATSUMOTO, Lauren Kealohilani			dinin 1947 Call Sec. C. — An Are as constrained in segmention						
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TOTAL (7)	4								
The recommendation is: $\theta$ Adopted $\theta$ Not Adopted         If joint referral,									
Vice Chair's or designee's signature:									
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO									