

Honolulu, Hawaii

APR 26 2019

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

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

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

Sirs:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 972, S.D. 1, H.D. 1, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to establish an income tax credit to incentivize construction of a new drydock at Pearl Harbor for use by the United States Navy.

Your Committee on Conference finds that, due to a lack of sufficient drydock capacity at Pearl Harbor, many surface ships are scheduled to be relocated to San Diego for deep maintenance, with some of these ships at risk of not returning to Hawaii. Your Committee on Conference also finds that the impact of losing surface vessel repair work would be far-reaching and would directly cause the loss of jobs associated with military surface ships. Your Committee on Conference further finds that the construction of a



purpose-built floating drydock capable of accommodating any of the submarines and surface ships currently docked or planned to be docked at Pearl Harbor would mitigate losses that may otherwise stem from a lack of drydocking capacity.

Your Committee on Conference has amended this measure by:

- (1) Setting the amount of the tax credit at thirty percent of the ship repair industry costs paid or incurred by the taxpayer;
- (2) Establishing a cap amount of \$6,000,000;
- (3) Allowing a taxpayer to apply credit amounts in excess of the cap amount to subsequent taxable years until December 31, 2026;
- (4) Providing that the tax credit may not be claimed prior to January 1, 2022, or after December 31, 2026;
- (5) Changing the effective date to January 1, 2020, and applying the measure to taxable years beginning after December 31, 2021; and
- (6) Making technical nonsubstantive amendments for purposes of consistency, clarity, and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 972, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 972, S.D. 1, H.D. 1, C.D. 1.



Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE



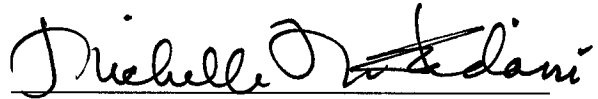
ANGUS L.K. MCKELVEY
Co-Chair



LISA KITAGAWA
Co-Chair



GILBERT S.C. KEITH-AGARAN
Chair



MICHELLE N. KIDANI
Co-Chair



Hawai'i State Legislature

CCR16Z

Record of Votes of a
Conference Committee

Bill / Concurrent Resolution No.: SB 972, SD 1, HD 1	Date/Time: 4/26/2019 4:58 PM
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The recommendation of the House and Senate managers is to pass with amendments (CD).

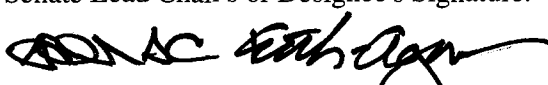

The Committee is reconsidering its previous decision.

<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure	<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.
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Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
KEITH-AGARAN, Gilbert S.C., Chr.	✓				MCKELVEY, Angus L.K., Co-Chr.	✓			
KIDANI, Michelle N., Co-Chr.	✓				KITAGAWA, Lisa, Co-Chr.	✓			
FEVELLA, Kurt				✓	CULLEN, Ty J.K.	✓			
					MATSUMOTO, Lauren	✓			
TOTAL	2			1	TOTAL	4			

A = Aye WR = Aye with Reservations N = Nay E = Excused

Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted	House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted
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Senate Lead Chair's or Designee's Signature: 	House Lead Chair's or Designee's Signature: 
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