

Honolulu, Hawaii

MAR 1 - 2019

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

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

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 972 entitled:

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

begs leave to report as follows:

The purpose and intent 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 received testimony in support of this measure from Pacific Marine and Supply, Co.; Ship Repair Association of Hawaii; and two individuals.

Your Committee received testimony in opposition to this measure from A & B Electric Co., Inc.; and one individual.

Your Committee received comments on this measure from the Department of Taxation; Tax Foundation of Hawaii; and one individual.

Your Committee 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. Your Committee 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 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 stem from a lack of capacity.

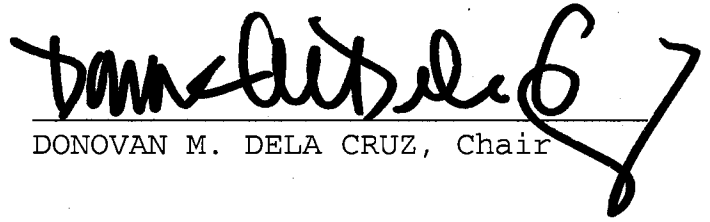
Your Committee has amended this measure by:

- (1) Establishing the ship repair industry tax credit in a new section of the Hawaii Revised Statutes;
- (2) Removing an incorrect reference to section 1012 of the Internal Revenue Code;
- (3) Specifying that the tax credit may be claimed only after the floating drydock is placed into service;
- (4) Clarifying the maximum amount that a qualified entity may claim for the tax credit;
- (5) Repealing section 235-17.5, Hawaii Revised Statutes;
- (6) Applying the tax credit to taxable years beginning after December 31, 2019;
- (7) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (8) Making technical nonsubstantive amendments for 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. 972, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 972, S.D. 1, and be placed on the calendar for Third Reading.




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


DONOVAN M. DELA CRUZ, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 972	WAM	2/6/19		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
HARIMOTO, Breene	X			
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.	X			
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.	X			
TANIGUCHI, Brian T.		X		
FEVELLA, Kurt	X			
TOTAL	12	1		
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes