

Honolulu, Hawaii

FEB 14 , 2020

RE: H.B. No. 2627
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 2627 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to provide that Chapter 1, Subchapter Z (with respect to opportunity zones), of the Internal Revenue Code shall not be operative for the purposes of state income tax law.

Your Committee received testimony in opposition to this measure from the Department of Business, Economic Development, and Tourism. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that this measure would disallow tax deferrals on capital gains that are reinvested in qualified opportunity zones, which are generally economically distressed areas that are specially designated by state governors.

Your Committee is concerned that some designated opportunity zones offer little to no potential impact to low-income areas because most of the region of some opportunity zones are on conservation land or inhospitable terrain. Furthermore, your Committee notes that some of the opportunity zones, while low-



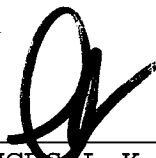
income areas in the past, are now high-income areas where investors may be receiving an unfair tax advantage with no benefit to a truly low-income area. However, your Committee also notes that opportunity zones can offer an important investment tool for Aloha Stadium and the Hilo redevelopment area. Because of these concerns, your Committee recommends that this measure eliminate the tax advantages for taxable years beginning after December 31, 2022.

Accordingly, your Committee has amended this measure by:

- (1) Making it applicable to taxable years beginning after December 31, 2022;
- (2) Changing its effective date to July 1, 2112, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

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. 2627, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2627, 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,



ANGUS L.K. MCKELVEY, Chair



