# 2014 Tax Acts

## 2014 Administrative Proposals

<table>
<thead>
<tr>
<th>Dept/No.</th>
<th>Description</th>
<th>Senate</th>
<th>House</th>
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</thead>
<tbody>
<tr>
<td>TAX-01</td>
<td><strong>INCOME</strong> - Annual conformity measure that would update references to the federal Code in subtitle A of Chapter 1 as of December 31, 2013. Substantively, the bill adds a provision disallowing a deduction for taxes for which the resident credit for out of state taxes (HRS 235-55) was taken. It also decouples from the TEFRA partnership audit procedures. Applies to taxable years beginning after December 31, 2013.</td>
<td>2886, HD-1</td>
<td>Act 88 (6/16/14)</td>
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<tr>
<td>TAX-02</td>
<td><strong>ESTATE AND GENERATION-SKIPPING TRANSFER</strong> - Makes technical corrections to HRS chapter 236E by amending the definition of &quot;applicable exclusion amount&quot; to close a loophole that allows a decedent to avoid estate and generation-skipping taxes by gifting property prior to death. Applies to decedents dying or taxable transfers occurring after December 31, 2013.</td>
<td>2887, SD-1</td>
<td>Act 44 (4/23/14)</td>
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<tr>
<td>TAX-05</td>
<td><strong>ESTATE AND GENERATION-SKIPPING TRANSFER</strong> - Clarifies references in Hawaii’s income tax law to Hawaii’s estate tax law by also including references to HRS chapter 236E established by Act 220, SLH 2012. This measure takes effect retroactive to January 26, 2012.</td>
<td>2890, SD-1</td>
<td>Act 43 (4/23/14)</td>
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<tr>
<td>TAX-10</td>
<td><strong>INCOME</strong> - Provides that monies in the tax administration special fund may be used to develop, implement, and provide taxpayer education programs including taxpayer publications. Effective upon approval.</td>
<td>2895, CD-1</td>
<td>Act 89 (6/16/14)</td>
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<tr>
<td>TAX-12</td>
<td><strong>GENERAL EXCISE</strong> - Restores inadvertently deleted language and clarifies that the general excise tax shall be imposed at the rate of 0.5% of the gross proceeds of wholesale sales of tangible personal property. Effective upon approval.</td>
<td>2896, SD-1</td>
<td>Act 42 (4/23/14)</td>
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<tr>
<td>AGS-06</td>
<td><strong>ADMINISTRATION</strong> - Authorizes the Legislative Auditor to access tax return information for purposes of conducting the Comprehensive Annual Financial Report, or CAFR, which is the overall audit of state agencies. Also requires the Legislative Auditor and its authorized agents to keep that information confidential. Provides that the unlawful disclosure of certain confidential tax return information by officers or employees of the State, including the auditor or its agents, shall be punishable as a class C felony. Effective upon approval.</td>
<td>2779, CD-1</td>
<td>Act 136 (6/24/14)</td>
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## Legislative Tax Proposals

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<tr>
<th>TAX</th>
<th>Bill No.</th>
<th>Description</th>
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<tr>
<td><strong>INCOME</strong></td>
<td>HB 1702, CD-1</td>
<td>Allows investors who make an investment in a qualified infrastructure tenant displaced by the Kapalama terminal modernization project to claim a capital infrastructure tax credit equal to 50% of the moving costs of the tenant's move to another location; not to exceed $2,500,000 in a taxable year. Also applies to Franchise Tax. Applies to taxable years beginning after December 31, 2013.</td>
<td>Act 200 (7/17/14)</td>
</tr>
<tr>
<td><strong>INCOME</strong></td>
<td>HB 2464, CD-1</td>
<td>Clarifies the important agricultural land qualified agricultural cost tax credit to provide that the credit that may be claimed in the first year is the lesser of the following: (a) 25% of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or (b) $625,000. Current law allows 25% of the lesser of: (a) qualified agricultural costs; or (b) $625,000. Also clarifies that the credit that may be claimed for the second year is the lesser of the following: (a) 15% of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or (b) $250,000; and the credit that may be claimed for the third year is the lesser of the following: (a) 10% of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or (b) $125,000. Applies to taxable years beginning after July 1, 2008.</td>
<td>Act 101 (6/19/14)</td>
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<tr>
<td>Category</td>
<td>Abbreviation</td>
<td>Description</td>
<td>Act</td>
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<tr>
<td>Franchise</td>
<td>HB 1702, CD-1</td>
<td>Allows investors who make an investment in a qualified infrastructure tenant displaced by the Kapalama terminal modernization project to claim a capital infrastructure tax credit equal to 50% of the moving costs of the tenant's move to another location; not to exceed $2,500,000 in a taxable year. Also applies to net income tax. Applies to taxable years beginning after December 31, 2013.</td>
<td>Act 200 (7/1/14)</td>
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<tr>
<td>General Excise</td>
<td>HB 1772, CD-1</td>
<td>Provides that amounts received by a contractor of the patient-centered community care program that is established by the U.S. Department of Veterans Affairs under Title 38, U.S. Code chapter 8153, as amended, as costs or advancement to the contractor pursuant to a contract with the U.S., shall be exempt from the general excise tax. Effective July 1, 2014.</td>
<td>Act 143 (6/24/14)</td>
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<td>TAT</td>
<td>HB 1671, CD-1</td>
<td>Provides that $103,000,000 in TAT revenues shall be distributed to the counties in fiscal 2015 and fiscal 2016, and $93,000,000 in fiscal 2017 and thereafter. Establishes a working group to: (1) evaluate the division of duties and responsibilities between the state and counties relating to the provision of public services; and (2) submit a recommendation to the legislature on the appropriate allocation of TAT revenues between the state and counties that reflects the division of duties and responsibilities relating to the provision of public services. Effective July 1, 2014.</td>
<td>Act 174 (7/1/14)</td>
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<td>HB 2434, CD-1</td>
<td>Authorizes the Hawaii Tourism Authority to issue $40,000,000 in revenue bonds and use the proceeds to acquire a conservation easement in Turtle Bay, Oahu. Allocates $3,000,000 in TAT annually to the Hawaii tourism authority for use to pay the debt service on the revenue bonds. Reduces the TAT revenue allocation to the convention center enterprise special fund from $33,000,000 to $26,500,000. Requires the Hawaii tourism authority and department of budget and finance to restructure the convention center debt owed to the department to accommodate an annual payment for debt service of not more than $16,500,000. Effective July 1, 2014.</td>
<td>Act 81 (5/19/14)</td>
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<td>Fuel</td>
<td>SB 2196, CD-1</td>
<td>Extends the sunset date of the $1.05 environmental response, energy, and food security tax from June 30, 2015 to June 30, 2030. Reenacts the energy systems development special fund and the periodic evaluation and plan of action requirements of the special fund. Requires an evaluation of the projects and activities funded by the energy systems development special fund to be conducted on July 1, 2017 and every two years thereafter. Effective July 1, 2014.</td>
<td>Act 107 (6/20/14)</td>
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<tr>
<td>Conveyance</td>
<td>SB 2542, CD-1</td>
<td>Increases the amount of conveyance tax revenues earmarked to the rental housing trust fund from 30% to 50% beginning on July 1, 2014.</td>
<td>Act 163 (6/30/14)</td>
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<td>Rental Motor</td>
<td>SB 2731, HD-2</td>
<td>Establishes a car-sharing surcharge tax of 25 cents per half hour; provided that for each rental of six hours or more, the rental shall be subject to the rental motor vehicle and tour vehicle surcharge of $3 per day. Vehicles subject to the car-sharing vehicle surcharge tax shall not be subject to the rental motor vehicle and tour vehicle surcharge tax. Effective January 1, 2015.</td>
<td>Act 110 (6/20/14)</td>
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April 23, 2014

The Honorable Donna Mercado Kim, President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki, Speaker and Members of the House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on April 23, 2014, the following bill was signed into law:

SB2896 SD1 RELATING TO GENERAL EXCISE TAX WHOLESALE RATE IMPOSED UPON SALE OF TANGIBLE PERSONAL PROPERTY
ACT 042 (14)

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX WHOLESALE RATE IMPOSED UPON SALE OF TANGIBLE PERSONAL PROPERTY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 3 of Act 135, Session Laws of Hawaii 2003, inadvertently repealed the one-half of one per cent general excise tax rate imposed upon the wholesale sale of tangible personal property. The purpose of this Act is to undo the inadvertent repeal to clarify that the proper general excise tax rate imposed upon the wholesale sale of tangible personal property is one-half of one per cent.

SECTION 2. Section 237-13, Hawaii Revised Statutes, is amended to read as follows:

"§237-13 Imposition of tax. There is hereby levied and shall be assessed and collected annually privilege taxes against persons on account of their business and other activities in the State measured by the application of rates against values of products, gross proceeds of sales, or gross income, whichever is specified, as follows:

(1) Tax on manufacturers.
(A) Upon every person engaging or continuing within the State in the business of manufacturing, including compounding, canning, preserving, packing, printing, publishing, milling, processing, refining, or preparing for sale, profit, or commercial use, either directly or through the activity of others, in whole or in part, any article or articles, substance or substances, commodity or commodities, the amount of the tax to be equal to the value of the articles, substances, or commodities, manufactured, compounded, canned, preserved, packed, printed, milled, processed, refined, or prepared for sale, as shown by the gross proceeds derived from the sale thereof by the manufacturer or person compounding, preparing, or printing them, multiplied by one-half of one per cent.

(B) The measure of the tax on manufacturers is the value of the entire product for sale, regardless of the place of sale or the fact that deliveries may be made to points outside the State.
(C) If any person liable for the tax on manufacturers ships or transports the person's product, or any part thereof, out of the State, whether in a finished or unfinished condition, or sells the same for delivery to points outside the State (for example, consigned to a mainland purchaser via common carrier f.o.b. Honolulu), the value of the products in the condition or form in which they exist immediately before entering interstate or foreign commerce, determined as hereinafter provided, shall be the basis for the assessment of the tax imposed by this paragraph. This tax shall be due and payable as of the date of entry of the products into interstate or foreign commerce, whether the products are then sold or not. The department shall determine the basis for assessment, as provided by this paragraph, as follows:

(i) If the products at the time of their entry into interstate or foreign commerce already have been sold, the gross proceeds of sale, less the transportation expenses, if any,
incurred in realizing the gross proceeds for transportation from the time of entry of the products into interstate or foreign commerce, including insurance and storage in transit, shall be the measure of the value of the products;

(ii) If the products have not been sold at the time of their entry into interstate or foreign commerce, and in cases governed by clause (i) in which the products are sold under circumstances such that the gross proceeds of sale are not indicative of the true value of the products, the value of the products constituting the basis for assessment shall correspond as nearly as possible to the gross proceeds of sales for delivery outside the State, adjusted as provided in clause (i), or if sufficient data are not available, sales in the State, of similar products of like quality and character and in similar quantities, made by the taxpayer (unless not indicative of the
true value) or by others. Sales outside the State, adjusted as provided in clause (i), may be considered when they constitute the best available data. The department shall prescribe uniform and equitable rules for ascertaining the values;

(iii) At the election of the taxpayer and with the approval of the department, the taxpayer may make the taxpayer's returns under clause (i) even though the products have not been sold at the time of their entry into interstate or foreign commerce; and

(iv) In all cases in which products leave the State in an unfinished condition, the basis for assessment shall be adjusted so as to deduct the portion of the value as is attributable to the finishing of the goods outside the State.

(2) Tax on business of selling tangible personal property; producing.

(A) Upon every person engaging or continuing in the business of selling any tangible personal
property whatsoever (not including, however, bonds or other evidence of indebtedness, or stocks), there is likewise hereby levied, and shall be assessed and collected, a tax equivalent to four per cent of the gross proceeds of sales of the business; provided that, in the case of a wholesaler, the tax shall be equal to one-half of one per cent of the gross proceeds of sales of the business; and provided further that insofar as the sale of tangible personal property is a wholesale sale under section [¶]237-4(a)(8)[¶], the sale shall be subject to section 237-13.3. Upon every person engaging or continuing within this State in the business of a producer, the tax shall be equal to one-half of one per cent of the gross proceeds of sales of the business, or the value of the products, for sale, if sold for delivery outside the State or shipped or transported out of the State, and the value of the products shall be determined in the same manner as the value of manufactured products covered in the cases under paragraph (1)(C).
(B) Gross proceeds of sales of tangible property in interstate and foreign commerce shall constitute a part of the measure of the tax imposed on persons in the business of selling tangible personal property, to the extent, under the conditions, and in accordance with the provisions of the Constitution of the United States and the Acts of the Congress of the United States which may be now in force or may be hereafter adopted, and whenever there occurs in the State an activity to which, under the Constitution and Acts of Congress, there may be attributed gross proceeds of sales, the gross proceeds shall be so attributed.

(C) No manufacturer or producer, engaged in such business in the State and selling the manufacturer's or producer's products for delivery outside of the State (for example, consigned to a mainland purchaser via common carrier f.o.b. Honolulu), shall be required to pay the tax imposed in this chapter for the privilege of so selling the products, and the
value or gross proceeds of sales of the products shall be included only in determining the measure of the tax imposed upon the manufacturer or producer.

(D) When a manufacturer or producer, engaged in such business in the State, also is engaged in selling the manufacturer's or producer's products in the State at wholesale, retail, or in any other manner, the tax for the privilege of engaging in the business of selling the products in the State shall apply to the manufacturer or producer as well as the tax for the privilege of manufacturing or producing in the State, and the manufacturer or producer shall make the returns of the gross proceeds of the wholesale, retail, or other sales required for the privilege of selling in the State, as well as making the returns of the value or gross proceeds of sales of the products required for the privilege of manufacturing or producing in the State. The manufacturer or producer shall pay the tax imposed in this chapter for the privilege of
selling its products in the State, and the value or gross proceeds of sales of the products, thus subjected to tax, may be deducted insofar as duplicated as to the same products by the measure of the tax upon the manufacturer or producer for the privilege of manufacturing or producing in the State; provided that no producer of agricultural products who sells the products to a purchaser who will process the products outside the State shall be required to pay the tax imposed in this chapter for the privilege of producing or selling those products.

(E) A taxpayer selling to a federal cost-plus contractor may make the election provided for by paragraph (3)(C), and in that case the tax shall be computed pursuant to the election, notwithstanding this paragraph or paragraph (1) to the contrary.

(F) The department, by rule, may require that a seller take from the purchaser of tangible personal property a certificate, in a form
prescribed by the department, certifying that the 
sale is a sale at wholesale; provided that:

(i) Any purchaser who furnishes a certificate
    shall be obligated to pay to the seller,
    upon demand, the amount of the additional
tax that is imposed upon the seller whenever
the sale in fact is not at wholesale; and

(ii) The absence of a certificate in itself shall
    give rise to the presumption that the sale
    is not at wholesale unless the sales of the
    business are exclusively at wholesale.

(3) Tax upon contractors.

(A) Upon every person engaging or continuing within
    the State in the business of contracting, the tax
    shall be equal to four per cent of the gross
    income of the business.

(B) In computing the tax levied under this paragraph,
    there shall be deducted from the gross income of
    the taxpayer so much thereof as has been included
    in the measure of the tax levied under
    subparagraph (A), on:
(i) Another taxpayer who is a contractor, as defined in section 237-6;

(ii) A specialty contractor, duly licensed by the department of commerce and consumer affairs pursuant to section 444-9, in respect of the specialty contractor's business; or

(iii) A specialty contractor who is not licensed by the department of commerce and consumer affairs pursuant to section 444-9, but who performs contracting activities on federal military installations and nowhere else in this State;

provided that any person claiming a deduction under this paragraph shall be required to show in the person's return the name and general excise number of the person paying the tax on the amount deducted by the person.

(C) In computing the tax levied under this paragraph against any federal cost-plus contractor, there shall be excluded from the gross income of the contractor so much thereof as fulfills the following requirements:
(i) The gross income exempted shall constitute reimbursement of costs incurred for materials, plant, or equipment purchased from a taxpayer licensed under this chapter, not exceeding the gross proceeds of sale of the taxpayer on account of the transaction; and

(ii) The taxpayer making the sale shall have certified to the department that the taxpayer is taxable with respect to the gross proceeds of the sale, and that the taxpayer elects to have the tax on gross income computed the same as upon a sale to the state government.

(D) A person who, as a business or as a part of a business in which the person is engaged, erects, constructs, or improves any building or structure, of any kind or description, or makes, constructs, or improves any road, street, sidewalk, sewer, or water system, or other improvements on land held by the person (whether held as a leasehold, fee simple, or otherwise),
upon the sale or other disposition of the land or
improvements, even if the work was not done
pursuant to a contract, shall be liable to the
same tax as if engaged in the business of
contracting, unless the person shows that at the
time the person was engaged in making the
improvements the person intended, and for the
period of at least one year after completion of
the building, structure, or other improvements
the person continued to intend to hold and not
sell or otherwise dispose of the land or
improvements. The tax in respect of the
improvements shall be measured by the amount of
the proceeds of the sale or other disposition
that is attributable to the erection,
construction, or improvement of such building or
structure, or the making, constructing, or
improving of the road, street, sidewalk, sewer,
or water system, or other improvements. The
measure of tax in respect of the improvements
shall not exceed the amount which would have been
taxable had the work been performed by another,
subject as in other cases to the deductions allowed by subparagraph (B). Upon the election of the taxpayer, this paragraph may be applied notwithstanding that the improvements were not made by the taxpayer, or were not made as a business or as a part of a business, or were made with the intention of holding the same. However, this paragraph shall not apply in respect of any proceeds that constitute or are in the nature of rent; all such gross income shall be taxable under paragraph (9); provided that insofar as the business of renting or leasing real property under a lease is taxed under section 237-16.5, the tax shall be levied by section 237-16.5.

(4) Tax upon theaters, amusements, radio broadcasting stations, etc.

(A) Upon every person engaging or continuing within the State in the business of operating a theater, opera house, moving picture show, vaudeville, amusement park, dance hall, skating rink, radio broadcasting station, or any other place at which amusements are offered to the public, the tax
shall be equal to four per cent of the gross income of the business, and in the case of a sale of an amusement at wholesale under section 237-4(a)(13), the tax shall be subject to section 237-13.3.

(B) The department may require that the person rendering an amusement at wholesale take from the licensed seller a certificate, in a form prescribed by the department, certifying that the sale is a sale at wholesale; provided that:

(i) Any licensed seller who furnishes a certificate shall be obligated to pay to the person rendering the amusement, upon demand, the amount of additional tax that is imposed upon the seller whenever the sale is not at wholesale; and

(ii) The absence of a certificate in itself shall give rise to the presumption that the sale is not at wholesale unless the person rendering the sale is exclusively rendering the amusement at wholesale.
(5) Tax upon sales representatives, etc. Upon every person classified as a representative or purchasing agent under section 237-1, engaging or continuing within the State in the business of performing services for another, other than as an employee, there is likewise hereby levied and shall be assessed and collected a tax equal to four per cent of the commissions and other compensation attributable to the services so rendered by the person.

(6) Tax on service business.

(A) Upon every person engaging or continuing within the State in any service business or calling including professional services not otherwise specifically taxed under this chapter, there is likewise hereby levied and shall be assessed and collected a tax equal to four per cent of the gross income of the business, and in the case of a wholesaler under section 237-4(a)(10), the tax shall be equal to one-half of one per cent of the gross income of the business. Notwithstanding the foregoing, a wholesaler under section 237-4(a)(10) shall be subject to section 237-13.3.
(B) The department may require that the person rendering a service at wholesale take from the licensed seller a certificate, in a form prescribed by the department, certifying that the sale is a sale at wholesale; provided that:

(i) Any licensed seller who furnishes a certificate shall be obligated to pay to the person rendering the service, upon demand, the amount of additional tax that is imposed upon the seller whenever the sale is not at wholesale; and

(ii) The absence of a certificate in itself shall give rise to the presumption that the sale is not at wholesale unless the person rendering the sale is exclusively rendering services at wholesale.

(C) Where any person is engaged in the business of selling interstate or foreign common carrier telecommunication services within and without the State, other than as a home service provider, the tax shall be imposed on that portion of gross income received by a person from service which is
originated or terminated in this State and is charged to a telephone number, customer, or account in this State notwithstanding any other state law (except for the exemption under section 237-23(a)(1)) to the contrary. If, under the Constitution and laws of the United States, the entire gross income as determined under this paragraph of a business selling interstate or foreign common carrier telecommunication services cannot be included in the measure of the tax, the gross income shall be apportioned as provided in section 237-21; provided that the apportionment factor and formula shall be the same for all persons providing those services in the State.

(D) Where any person is engaged in the business of a home service provider, the tax shall be imposed on the gross income received or derived from providing interstate or foreign mobile telecommunications services to a customer with a place of primary use in this State when such services originate in one state and terminate in another state, territory, or foreign country;
provided that all charges for mobile telecommunications services which are billed by or for the home service provider are deemed to be provided by the home service provider at the customer's place of primary use, regardless of where the mobile telecommunications originate, terminate, or pass through; provided further that the income from charges specifically derived from interstate or foreign mobile telecommunications services, as determined by books and records that are kept in the regular course of business by the home service provider in accordance with section 239-24, shall be apportioned under any apportionment factor or formula adopted under subparagraph (C). Gross income shall not include:

(i) Gross receipts from mobile telecommunications services provided to a customer with a place of primary use outside this State;
(ii) Gross receipts from mobile telecommunications services that are subject to the tax imposed by chapter 239;

(iii) Gross receipts from mobile telecommunications services taxed under section 237-13.8; and

(iv) Gross receipts of a home service provider acting as a serving carrier providing mobile telecommunications services to another home service provider's customer.

For the purposes of this paragraph, "charges for mobile telecommunications services", "customer", "home service provider", "mobile telecommunications services", "place of primary use", and "serving carrier" have the same meaning as in section 239-22.

(7) Tax on insurance producers. Upon every person engaged as a licensed producer pursuant to chapter 431, there is hereby levied and shall be assessed and collected a tax equal to 0.15 per cent of the commissions due to that activity.
(8) Tax on receipts of sugar benefit payments. Upon the amounts received from the United States government by any producer of sugar (or the producer's legal representative or heirs), as defined under and by virtue of the Sugar Act of 1948, as amended, or other Acts of the Congress of the United States relating thereto, there is hereby levied a tax of one-half of one per cent of the gross amount received; provided that the tax levied hereunder on any amount so received and actually disbursed to another by a producer in the form of a benefit payment shall be paid by the person or persons to whom the amount is actually disbursed, and the producer actually making a benefit payment to another shall be entitled to claim on the producer's return a deduction from the gross amount taxable hereunder in the sum of the amount so disbursed. The amounts taxed under this paragraph shall not be taxable under any other paragraph, subsection, or section of this chapter.

(9) Tax on other business. Upon every person engaging or continuing within the State in any business, trade, activity, occupation, or calling not included in the
preceding paragraphs or any other provisions of this chapter, there is likewise hereby levied and shall be assessed and collected, a tax equal to four per cent of the gross income thereof. In addition, the rate prescribed by this paragraph shall apply to a business taxable under one or more of the preceding paragraphs or other provisions of this chapter, as to any gross income thereof not taxed thereunder as gross income or gross proceeds of sales or by taxing an equivalent value of products, unless specifically exempted."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2896, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX WHOLESALE RATE IMPOSED UPON SALE OF TANGIBLE PERSONAL PROPERTY,"

begs leave to report as follows:

The purpose of this measure is to clarify that wholesale sales of tangible personal property are subject to a general excise tax rate of one-half of one per cent of gross sales proceeds.

The Department of Taxation supported this measure. Tax Foundation of Hawaii commented on this measure.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2896, S.D. 1, and recommends that it pass Second Reading and be placed on the calendar for Third Reading.
Respectfully submitted on behalf of the members of the Committee on Finance,

Sylvia Luke, Chair
Record of Votes of the Committee on Finance

<table>
<thead>
<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
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<td>1. LUKE, Sylvia (C)</td>
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<td>2. NISHIMOTO, Scott Y. (VC)</td>
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<td>3. JOHANSON, Aaron Ling (VC)</td>
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<td>4. CULLEN, Ty J.K.</td>
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<td>5. HASHEM, Mark J.</td>
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<td>6. ING, Kaniela</td>
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<td>7. JORDAN, Jo</td>
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<td>8. KOBAYASHI, Bertrand</td>
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<td>9. LOWEN, Nicole E.</td>
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<td>10. MORIKAWA, Dee</td>
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<td>11. ONISHI, Richard H.K.</td>
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<td>12. TAKAYAMA, Gregg</td>
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<td>13. TOKIOKA, James Kunane</td>
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<td>14. WOODSON, Justin H.</td>
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<td>15. YAMASHITA, Kyle T.</td>
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<td>16. FUKUMOTO, Beth</td>
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<td>17. WARD, Gene</td>
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TOTAL (17) 13 1

The recommendation is: ☒ Adopted ☐ Not Adopted

If joint referral, committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature: [Signature]

Distribution: Original (White) - Committee Duplicate (Yellow) - Chief Clerk's Office Duplicate (Pink) - HMSO
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:  

Your Committee on Ways and Means, to which was referred S.B. No. 2896 entitled:  

"A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX WHOLESALE RATE IMPOSED UPON SALE OF TANGIBLE PERSONAL PROPERTY,"  

begs leave to report as follows:  

The purpose and intent of this measure is to clarify that wholesale sales of tangible personal property are subject to the one-half of one per cent general excise tax rate.  

The Department of Taxation submitted testimony in support of this measure. The Tax Foundation of Hawaii submitted comments on this measure.  

Your Committee finds that section 3 of Act 135, Session Laws of Hawaii 2003, inadvertently repealed the one-half of one per cent general excise tax rate imposed upon the wholesale sale of tangible personal property. This measure addresses the inadvertent repeal and clarifies that the proper general excise tax rate imposed upon the wholesale sale of tangible personal property is one-half of one per cent.  

Your Committee has amended this measure by:  

(1) Removing reference to the general excise tax exemption provided under section 237-29.55, Hawaii Revised Statutes; and
(2) 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. 2896, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2896, 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,

DAVID Y. IGE, Chair
The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to:

The Recommendation is:

- Pass, unamended
- Pass, with amendments
- Hold
- Recomit

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<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
<th>Excused</th>
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<td>IGE, David Y. (C)</td>
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<td>KIDANI, Michelle N. (VC)</td>
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<td>CHUN OAKLAND, Suzanne</td>
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<td>DELA CRUZ, Donovan M.</td>
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<td>KEITH-AGARAN, Gilbert S.C.</td>
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<td>RUDERMAN, Russell E.</td>
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<td>THIELEN, Laura H.</td>
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<td>TOKUDA, Jill N.</td>
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<td>SLOM, Sam</td>
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12  0  0  1

Recommendation:  □ Adopted  □ Not Adopted

Chair's or Designee's Signature:  

Distribution:

- Original File with Committee Report
- Yellow Clerk's Office
- Pink Drafting Agency
- Goldenrod Committee File Copy

*Only one measure per Record of Votes*
RELATING TO GENERAL EXCISE TAX WHOLESALE RATE IMPOSED UPON SALE OF TANGIBLE PERSONAL PROPERTY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 3 of Act 135, Session Laws of Hawaii 2003, inadvertently repealed the one-half of one per cent general excise tax rate imposed upon the wholesale sale of tangible personal property. The purpose of this Act is to undo the inadvertent repeal to clarify that the proper general excise tax rate imposed upon the wholesale sale of tangible personal property is one-half of one per cent.

SECTION 2. Section 237-13, Hawaii Revised Statutes, is amended to read as follows:

"§237-13 Imposition of tax. There is hereby levied and shall be assessed and collected annually privilege taxes against persons on account of their business and other activities in the State measured by the application of rates against values of products, gross proceeds of sales, or gross income, whichever is specified, as follows:

(1) Tax on manufacturers."
(A) Upon every person engaging or continuing within the State in the business of manufacturing, including compounding, canning, preserving, packing, printing, publishing, milling, processing, refining, or preparing for sale, profit, or commercial use, either directly or through the activity of others, in whole or in part, any article or articles, substance or substances, commodity or commodities, the amount of the tax to be equal to the value of the articles, substances, or commodities, manufactured, compounded, canned, preserved, packed, printed, milled, processed, refined, or prepared for sale, as shown by the gross proceeds derived from the sale thereof by the manufacturer or person compounding, preparing, or printing them, multiplied by one-half of one per cent.

(B) The measure of the tax on manufacturers is the value of the entire product for sale, regardless of the place of sale or the fact that deliveries may be made to points outside the State.

(C) If any person liable for the tax on manufacturers ships or transports the person's product, or any
part thereof, out of the State, whether in a
finished or unfinished condition, or sells the
same for delivery to points outside the State
(for example, consigned to a mainland purchaser
via common carrier f.o.b. Honolulu), the value of
the products in the condition or form in which
they exist immediately before entering interstate
or foreign commerce, determined as hereinafter
provided, shall be the basis for the assessment
of the tax imposed by this paragraph. This tax
shall be due and payable as of the date of entry
of the products into interstate or foreign
commerce, whether the products are then sold or
not. The department shall determine the basis
for assessment, as provided by this paragraph, as
follows:

(i) If the products at the time of their entry
into interstate or foreign commerce already
have been sold, the gross proceeds of sale,
less the transportation expenses, if any,
incurred in realizing the gross proceeds for
transportation from the time of entry of the
products into interstate or foreign
commerce, including insurance and storage in transit, shall be the measure of the value of the products;

(ii) If the products have not been sold at the time of their entry into interstate or foreign commerce, and in cases governed by clause (i) in which the products are sold under circumstances such that the gross proceeds of sale are not indicative of the true value of the products, the value of the products constituting the basis for assessment shall correspond as nearly as possible to the gross proceeds of sales for delivery outside the State, adjusted as provided in clause (i), or if sufficient data are not available, sales in the State, of similar products of like quality and character and in similar quantities, made by the taxpayer (unless not indicative of the true value) or by others. Sales outside the State, adjusted as provided in clause (i), may be considered when they constitute the best available data. The department shall
prescribe uniform and equitable rules for
ascertaining the values;

(iii) At the election of the taxpayer and with the
approval of the department, the taxpayer may
make the taxpayer's returns under clause (i)
even though the products have not been sold
at the time of their entry into interstate
or foreign commerce; and

(iv) In all cases in which products leave the
State in an unfinished condition, the basis
for assessment shall be adjusted so as to
deduct the portion of the value as is
attributable to the finishing of the goods
outside the State.

(2) Tax on business of selling tangible personal property;
producing.

(A) Upon every person engaging or continuing in the
business of selling any tangible personal
property whatsoever (not including, however,
bonds or other evidence of indebtedness, or
stocks), there is likewise hereby levied, and
shall be assessed and collected, a tax equivalent
to four per cent of the gross proceeds of sales
of the business; and in the case of a wholesaler, notwithstanding the exemption provided under section 237-29.55, the tax shall be equal to one-half of one per cent of the gross proceeds of sales of the business; provided that insofar as the sale of tangible personal property is a wholesale sale under section [±]237-4(a)(8)[±], the sale shall be subject to section 237-13.3.

Upon every person engaging or continuing within this State in the business of a producer, the tax shall be equal to one-half of one per cent of the gross proceeds of sales of the business, or the value of the products, for sale, if sold for delivery outside the State or shipped or transported out of the State, and the value of the products shall be determined in the same manner as the value of manufactured products covered in the cases under paragraph (1)(C).

(B) Gross proceeds of sales of tangible property in interstate and foreign commerce shall constitute a part of the measure of the tax imposed on persons in the business of selling tangible personal property, to the extent, under the
conditions, and in accordance with the provisions
of the Constitution of the United States and the
Acts of the Congress of the United States which
may be now in force or may be hereafter adopted,
and whenever there occurs in the State an
activity to which, under the Constitution and
Acts of Congress, there may be attributed gross
proceeds of sales, the gross proceeds shall be so
attributed.

(C) No manufacturer or producer, engaged in such
business in the State and selling the
manufacturer's or producer's products for
delivery outside of the State (for example,
consigned to a mainland purchaser via common
carrier f.o.b. Honolulu), shall be required to
pay the tax imposed in this chapter for the
privilege of so selling the products, and the
value or gross proceeds of sales of the products
shall be included only in determining the measure
of the tax imposed upon the manufacturer or
producer.

(D) When a manufacturer or producer, engaged in such
business in the State, also is engaged in selling
the manufacturer's or producer's products in the State at wholesale, retail, or in any other manner, the tax for the privilege of engaging in the business of selling the products in the State shall apply to the manufacturer or producer as well as the tax for the privilege of manufacturing or producing in the State, and the manufacturer or producer shall make the returns of the gross proceeds of the wholesale, retail, or other sales required for the privilege of selling in the State, as well as making the returns of the value or gross proceeds of sales of the products required for the privilege of manufacturing or producing in the State. The manufacturer or producer shall pay the tax imposed in this chapter for the privilege of selling its products in the State, and the value or gross proceeds of sales of the products, thus subjected to tax, may be deducted insofar as duplicated as to the same products by the measure of the tax upon the manufacturer or producer for the privilege of manufacturing or producing in the State; provided that no producer of
agricultural products who sells the products to a
purchaser who will process the products outside
the State shall be required to pay the tax
imposed in this chapter for the privilege of
producing or selling those products.

(E) A taxpayer selling to a federal cost-plus
contractor may make the election provided for by
paragraph (3)(C), and in that case the tax shall
be computed pursuant to the election,
notwithstanding this paragraph or paragraph (1)
to the contrary.

(F) The department, by rule, may require that a
seller take from the purchaser of tangible
personal property a certificate, in a form
prescribed by the department, certifying that the
sale is a sale at wholesale; provided that:

(i) Any purchaser who furnishes a certificate
shall be obligated to pay to the seller,
upon demand, the amount of the additional
tax that is imposed upon the seller whenever
the sale in fact is not at wholesale; and

(ii) The absence of a certificate in itself shall
give rise to the presumption that the sale
is not at wholesale unless the sales of the
business are exclusively at wholesale.

(3) Tax upon contractors.

(A) Upon every person engaging or continuing within
the State in the business of contracting, the tax
shall be equal to four per cent of the gross
income of the business.

(B) In computing the tax levied under this paragraph,
there shall be deducted from the gross income of
the taxpayer so much thereof as has been included
in the measure of the tax levied under
subparagraph (A), on:

(i) Another taxpayer who is a contractor, as
defined in section 237-6;

(ii) A specialty contractor, duly licensed by the
department of commerce and consumer affairs
pursuant to section 444-9, in respect of the
specialty contractor's business; or

(iii) A specialty contractor who is not licensed
by the department of commerce and consumer
affairs pursuant to section 444-9, but who
performs contracting activities on federal
military installations and nowhere else in this State;

provided that any person claiming a deduction under this paragraph shall be required to show in the person's return the name and general excise number of the person paying the tax on the amount deducted by the person.

(C) In computing the tax levied under this paragraph against any federal cost-plus contractor, there shall be excluded from the gross income of the contractor so much thereof as fulfills the following requirements:

(i) The gross income exempted shall constitute reimbursement of costs incurred for materials, plant, or equipment purchased from a taxpayer licensed under this chapter, not exceeding the gross proceeds of sale of the taxpayer on account of the transaction; and

(ii) The taxpayer making the sale shall have certified to the department that the taxpayer is taxable with respect to the gross proceeds of the sale, and that the
taxpayer elects to have the tax on gross
income computed the same as upon a sale to
the state government.

(D) A person who, as a business or as a part of a
business in which the person is engaged, erects,
constructs, or improves any building or
structure, of any kind or description, or makes,
constructs, or improves any road, street,
sidewalk, sewer, or water system, or other
improvements on land held by the person (whether
held as a leasehold, fee simple, or otherwise),
upon the sale or other disposition of the land or
improvements, even if the work was not done
pursuant to a contract, shall be liable to the
same tax as if engaged in the business of
contracting, unless the person shows that at the
time the person was engaged in making the
improvements the person intended, and for the
period of at least one year after completion of
the building, structure, or other improvements
the person continued to intend to hold and not
sell or otherwise dispose of the land or
improvements. The tax in respect of the
improvements shall be measured by the amount of the proceeds of the sale or other disposition that is attributable to the erection, construction, or improvement of such building or structure, or the making, constructing, or improving of the road, street, sidewalk, sewer, or water system, or other improvements. The measure of tax in respect of the improvements shall not exceed the amount which would have been taxable had the work been performed by another, subject as in other cases to the deductions allowed by subparagraph (B). Upon the election of the taxpayer, this paragraph may be applied notwithstanding that the improvements were not made by the taxpayer, or were not made as a business or as a part of a business, or were made with the intention of holding the same. However, this paragraph shall not apply in respect of any proceeds that constitute or are in the nature of rent; all such gross income shall be taxable under paragraph (9); provided that insofar as the business of renting or leasing real property...
under a lease is taxed under section 237-16.5,
the tax shall be levied by section 237-16.5.

(4) Tax upon theaters, amusements, radio broadcasting
stations, etc.

(A) Upon every person engaging or continuing within
the State in the business of operating a theater,
opera house, moving picture show, vaudeville,
amusement park, dance hall, skating rink, radio
broadcasting station, or any other place at which
amusements are offered to the public, the tax
shall be equal to four per cent of the gross
income of the business, and in the case of a sale
of an amusement at wholesale under section 237-
4(a)(13), the tax shall be subject to section
237-13.3.

(B) The department may require that the person
rendering an amusement at wholesale take from the
licensed seller a certificate, in a form
prescribed by the department, certifying that the
sale is a sale at wholesale; provided that:

(i) Any licensed seller who furnishes a
certificate shall be obligated to pay to the
person rendering the amusement, upon demand,
the amount of additional tax that is imposed
upon the seller whenever the sale is not at
wholesale; and

(ii) The absence of a certificate in itself shall
give rise to the presumption that the sale
is not at wholesale unless the person
rendering the sale is exclusively rendering
the amusement at wholesale.

(5) Tax upon sales representatives, etc. Upon every
person classified as a representative or purchasing
agent under section 237-1, engaging or continuing
within the State in the business of performing
services for another, other than as an employee, there
is likewise hereby levied and shall be assessed and
collected a tax equal to four per cent of the
commissions and other compensation attributable to the
services so rendered by the person.

(6) Tax on service business.

(A) Upon every person engaging or continuing within
the State in any service business or calling
including professional services not otherwise
specifically taxed under this chapter, there is
likewise hereby levied and shall be assessed and
collected a tax equal to four per cent of the
gross income of the business, and in the case of
a wholesaler under section 237-4(a)(10), the tax
shall be equal to one-half of one per cent of the
gross income of the business. Notwithstanding
the foregoing, a wholesaler under section 237-
4(a)(10) shall be subject to section 237-13.3.

(B) The department may require that the person
rendering a service at wholesale take from the
licensed seller a certificate, in a form
prescribed by the department, certifying that the
sale is a sale at wholesale; provided that:

(i) Any licensed seller who furnishes a
certificate shall be obligated to pay to the
person rendering the service, upon demand,
the amount of additional tax that is imposed
upon the seller whenever the sale is not at
wholesale; and

(ii) The absence of a certificate in itself shall
give rise to the presumption that the sale
is not at wholesale unless the person
rendering the sale is exclusively rendering
services at wholesale.
(C) Where any person is engaged in the business of selling interstate or foreign common carrier telecommunication services within and without the State, other than as a home service provider, the tax shall be imposed on that portion of gross income received by a person from service which is originated or terminated in this State and is charged to a telephone number, customer, or account in this State notwithstanding any other state law (except for the exemption under section 237-23(a)(1)) to the contrary. If, under the Constitution and laws of the United States, the entire gross income as determined under this paragraph of a business selling interstate or foreign common carrier telecommunication services cannot be included in the measure of the tax, the gross income shall be apportioned as provided in section 237-21; provided that the apportionment factor and formula shall be the same for all persons providing those services in the State.

(D) Where any person is engaged in the business of a home service provider, the tax shall be imposed on the gross income received or derived from...
providing interstate or foreign mobile telecommunications services to a customer with a place of primary use in this State when such services originate in one state and terminate in another state, territory, or foreign country; provided that all charges for mobile telecommunications services which are billed by or for the home service provider are deemed to be provided by the home service provider at the customer's place of primary use, regardless of where the mobile telecommunications originate, terminate, or pass through; provided further that the income from charges specifically derived from interstate or foreign mobile telecommunications services, as determined by books and records that are kept in the regular course of business by the home service provider in accordance with section 239-24, shall be apportioned under any apportionment factor or formula adopted under subparagraph (C). Gross income shall not include:

(i) Gross receipts from mobile telecommunications services provided to a
customer with a place of primary use outside this State;

(ii) Gross receipts from mobile telecommunications services that are subject to the tax imposed by chapter 239;

(iii) Gross receipts from mobile telecommunications services taxed under section 237-13.8; and

(iv) Gross receipts of a home service provider acting as a serving carrier providing mobile telecommunications services to another home service provider's customer.

For the purposes of this paragraph, "charges for mobile telecommunications services", "customer", "home service provider", "mobile telecommunications services", "place of primary use", and "serving carrier" have the same meaning as in section 239-22.

(7) Tax on insurance producers. Upon every person engaged as a licensed producer pursuant to chapter 431, there is hereby levied and shall be assessed and collected a tax equal to 0.15 per cent of the commissions due to that activity.
(8) Tax on receipts of sugar benefit payments. Upon the amounts received from the United States government by any producer of sugar (or the producer's legal representative or heirs), as defined under and by virtue of the Sugar Act of 1948, as amended, or other Acts of the Congress of the United States relating thereto, there is hereby levied a tax of one-half of one per cent of the gross amount received; provided that the tax levied hereunder on any amount so received and actually disbursed to another by a producer in the form of a benefit payment shall be paid by the person or persons to whom the amount is actually disbursed, and the producer actually making a benefit payment to another shall be entitled to claim on the producer's return a deduction from the gross amount taxable hereunder in the sum of the amount so disbursed. The amounts taxed under this paragraph shall not be taxable under any other paragraph, subsection, or section of this chapter.

(9) Tax on other business. Upon every person engaging or continuing within the State in any business, trade, activity, occupation, or calling not included in the preceding paragraphs or any other provisions of this
chapter, there is likewise hereby levied and shall be assessed and collected, a tax equal to four per cent of the gross income thereof. In addition, the rate prescribed by this paragraph shall apply to a business taxable under one or more of the preceding paragraphs or other provisions of this chapter, as to any gross income thereof not taxed thereunder as gross income or gross proceeds of sales or by taxing an equivalent value of products, unless specifically exempted."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.

INTRODUCED BY: [Signature]

BY REQUEST
Report Title:
General Excise Tax; Wholesale Rate Imposed Upon Sale of Tangible Personal Property

Description:
Clarifies that wholesale sales of tangible personal property are subject to the one-half of one per cent general excise tax rate.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO GENERAL EXCISE TAX WHOLESALE RATE IMPOSED UPON SALE OF TANGIBLE PERSONAL PROPERTY.

PURPOSE: To clarify wholesale sales of tangible personal property are subject to the one half of one per cent rate unless exempted under section 237-29.55, Hawaii Revised Statutes (HRS).

MEANS: Amend section 237-13, HRS.

JUSTIFICATION: The wholesale rate of one half of one per cent on the sale of tangible personal property was inadvertently deleted by Act 135, Session Laws of Hawaii 2003.

Impact on the public: The public will have certainty that wholesale sales of tangible personal property are subject to the one half of one per cent rate unless exempted under section 237-29.55, HRS.

Impact on the department and other agencies: The Department will have an easier time administering Hawaii's general excise tax law and will be able to answer taxpayer inquiries with certainty.

GENERAL FUND: Pending.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: None.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval.
SB2896 SD1

Measure Title: RELATING TO GENERAL EXCISE TAX WHOLESALE RATE IMPOSED UPON SALE OF TANGIBLE PERSONAL PROPERTY.

Report Title: General Excise Tax; Wholesale Rate Imposed Upon Sale of Tangible Personal Property

Description: Clarifies that wholesale sales of tangible personal property are subject to the one-half of one per cent general excise tax rate. (SD1)

Companion: HB2346

Package: Governor

Current Referral: FIN

Introducer(s): KIM (Introduced by request of another party)

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<th>Date</th>
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<tr>
<td>1/23/2014</td>
<td>S Introduced.</td>
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<td>1/23/2014</td>
<td>S Passed First Reading.</td>
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<td>1/23/2014</td>
<td>S Referred to WAM.</td>
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<td>1/24/2014</td>
<td>S The committee(s) on WAM has scheduled a public hearing on 01-30-14 9:00AM in conference room 211.</td>
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<tr>
<td>1/30/2014</td>
<td>S The committee(s) on WAM deferred the measure until 02-05-14 10:00AM in conference room 211.</td>
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<tr>
<td>2/5/2014</td>
<td>S The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 12 Aye(s): Senator(s) Ige, Kidani, Chun Oakland, Dela Cruz, English, Espero, Kahele, Keith-Agaran, Kouchi, Ruderman, L. Thielen, Slom; Aye(s) with reservations: none ; 0 No(es): none; and 1 Excused: Senator(s) Tokuda.</td>
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<td>2/28/2014</td>
<td>S Reported from WAM (Stand. Com. Rep. No. 2539) with recommendation of passage on Second Reading, as amended (SD 1) and placement on the calendar for Third Reading.</td>
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<td>2/28/2014</td>
<td>S Report adopted; Passed Second Reading, as amended (SD 1).</td>
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<td>3/4/2014</td>
<td>H Received from Senate (Sen. Com. No. 323) in amended form (SD 1).</td>
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<td>3/6/2014</td>
<td>H Pass First Reading</td>
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<td>3/6/2014</td>
<td>H Referred to FIN, referral sheet 28</td>
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<tr>
<td>3/25/2014</td>
<td>H Bill scheduled to be heard by FIN on Thursday, 03-27-14 2:00PM in House conference room 308.</td>
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<td>3/27/2014</td>
<td>H The committees on FIN recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 14 Ayes: Representative(s) Luke, Nishimoto, Johanson, Cullen, Ing, Kobayashi, Lowen, Morikawa, Onishi, Takayama, Tokioka, Yamashita, Fukumoto; Ayes with reservations: Representative(s) Ward; Noes: none; and 3 Excused: Representative(s) Hashem, Jordan, Woodson.</td>
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<td>4/4/2014</td>
<td>H Passed Second Reading; placed on the calendar for Third Reading with Representative(s) Fale, Ward voting aye with reservations; Representative(s) McDermott voting no (1) and Representative(s) Cachola, Carroll, Woodson excused (3).</td>
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<td>4/8/2014</td>
<td>H Passed Third Reading with Representative(s) Ward voting aye with reservations; Representative(s) Fale, McDermott, Oshiro voting no (3) and none excused (0). Transmitted to Senate.</td>
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<td>4/10/2014</td>
<td>S Received from House (Hse. Com. No. 674).</td>
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S = Senate | H = House | D = Data Systems | $ = Appropriation measure | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

**SB2896 SD1**
April 23, 2014

The Honorable Donna Mercado Kim,  
President  
and Members of the Senate  
Twenty-Seventh State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Seventh State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on April 23, 2014, the following bill was signed into law:

SB2890 SD1 RELATING TO APPLICATION OF THE INTERNAL REVENUE CODE TO HAWAII INCOME TAX LAW  
ACT 043 (14)

NEIL ABERCROMBIE  
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO APPLICATION OF THE INTERNAL REVENUE CODE TO HAWAII INCOME TAX LAW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 235-3, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) The Internal Revenue Code, so far as made operative by this chapter, is a statute adopted and incorporated by reference. The Internal Revenue Code shall be applied using changes in nomenclature and other language, including the omission of inapplicable language, where necessary to effectuate the intent of this section. In the Internal Revenue Code, references to terms such as:

(1) "Secretary or his delegate" shall refer to the director of taxation and the director's duly authorized subordinates;

(2) "Estate taxes" shall refer to the estate and transfer tax imposed by chapter 236D[-] or the estate and generation-skipping tax imposed by chapter 236E, as applicable;
(3) "The highest rate of tax imposed upon individuals" or "39.6 per cent" shall refer to the highest rate imposed upon individuals under section 235-51;

(4) "The highest rate of tax imposed upon corporations" shall refer to the highest rate imposed upon corporations under section 235-71; and

(5) "Interest at the underpayment rate" or "interest at the overpayment rate" shall refer to the interest rate set forth in section 231-39(b)(4) or section 231-23(d)(1), as the case may be."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act, upon its approval, shall apply retroactively to January 26, 2012.
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Sir:  

Your Committee on Finance, to which was referred S.B. No. 2890, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO APPLICATION OF THE INTERNAL REVENUE CODE TO HAWAII INCOME TAX LAW,"

begs leave to report as follows:

The purpose of this measure is to clarify that references to "estate taxes" in the Internal Revenue Code shall refer to both the estate and transfer tax imposed by Chapter 236D, Hawaii Revised Statutes (HRS), and the estate and generation-skipping tax imposed by Chapter 236E, HRS, as applicable.

The Department of Taxation supported this measure. Tax Foundation of Hawaii commented on this measure.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2890, S.D. 1, and recommends that it pass Second Reading and be placed on the calendar for Third Reading.
Respectfully submitted on behalf of the members of the Committee on Finance,

Sylvia Luke, Chair
State of Hawai‘i  
House of Representatives  
The Twenty-seventh Legislature

Record of Votes of the Committee on Finance

<table>
<thead>
<tr>
<th>Bill/Resolution No.</th>
<th>Committee Referral</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB 2890, SD1</td>
<td>FIN</td>
<td>3/27/2014</td>
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</tbody>
</table>

- The committee is reconsidering its previous decision on the measure.

The recommendation is to:  
- Pass, unamended (as is)  
- Pass, with amendments (HD)  
- Hold  
- Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
<thead>
<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
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<td>9. LOWEN, Nicole E.</td>
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<td>10. MORIKAWA, Dee</td>
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<td>11. ONISHI, Richard H.K.</td>
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<td>12. TAKAYAMA, Gregg</td>
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<td>13. TOKIOKA, James Kunane</td>
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<td>14. WOODSON, Justin H.</td>
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<td>15. YAMASHITA, Kyle T.</td>
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<td>16. FUKUMOTO, Beth</td>
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<td>17. WARD, Gene</td>
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TOTAL (17)  
14 3

The recommendation is:  
- Adopted  
- Not Adopted

If joint referral, committee acronym(s) did not support recommendation.

Distribution: Original (White) – Committee  
Duplicate (Yellow) – Chief Clerk’s Office  
Duplicate (Pink) – HMSO
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2890 entitled:

"A BILL FOR AN ACT RELATING TO APPLICATION OF THE INTERNAL REVENUE CODE TO HAWAII INCOME TAX LAW,"

begs leave to report as follows:

The purpose and intent of this measure is to clarify that references to the term "estate taxes" in the Internal Revenue Code (IRC), when used to make certain provisions of the IRC operative for the purposes of applying state income tax, refer to both the estate and generation-skipping tax imposed by chapter 236E, Hawaii Revised Statutes (HRS), and the estate and transfer tax imposed by chapter 236D, HRS.

The Department of Taxation submitted testimony in support of the measure. The Tax Foundation of Hawaii submitted comments on the measure.

Your Committee finds that under current state law that makes the IRC operative for the purposes of applying state income tax, the law specifies the terms in the IRC that are to be substituted with terms used in state law. As currently written, section 235-3, HRS, only allows for the estate and transfer tax imposed by chapter 236D, HRS, to be substituted for the term "estate taxes" in the IRC when using the IRC provisions to apply the state version of estate taxes. However, the Legislature established the generation-skipping transfer tax under chapter 236E, HRS, during the Regular Session of 2012. Your Committee finds that this
measure clarifies that references to estate taxes when applying IRC provisions relating to estate taxes shall include both the estate and transfer tax under chapter 236D, HRS, and the generation-skipping transfer tax under chapter 236E, HRS.

Your Committee has amended this measure by:

(1) Applying the measure retroactively to January 26, 2012, when chapter 236E, HRS, became applicable; and

(2) Making technical nonsubstantive amendments for the purposes of clarity and consistency.

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. 2890, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2890, 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,

[Signature]

DAVID Y. IGE, Chair
Bill / Resolution No.:**

| SB 2890  | Committee Referral: | Date: 2-5-14 |

☐ The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was:

The Recommendation is:

- [ ] Pass, unamended
- [X] Pass, with amendments
- [ ] Hold
- [ ] Recommit

Members

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<tr>
<th>Members</th>
<th>Aye</th>
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<td>IGE, David Y. (C)</td>
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<td>KIDANI, Michelle N. (VC)</td>
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<td>DELA CRUZ, Donovan M.</td>
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<td>KAHELE, Gilbert</td>
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<td>KEITH-AGARAN, Gilbert S.C.</td>
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<td>KOUCHI, Ronald D.</td>
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<td>RUDERMAN, Russell E.</td>
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<td>THIELEN, Laura H.</td>
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<td>TOKUDA, Jill N.</td>
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<td>SLOM, Sam</td>
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</table>

Recommendation:

- [ ] Adopted
- [X] Not Adopted

Chair's or Designee's Signature:

Distribution:

| Original File with Committee Report | Yellow Clerk's Office | Pink Drafting Agency | Goldenrod Committee File Copy |

*Only one measure per Record of Votes*
A BILL FOR AN ACT

RELATING TO APPLICATION OF THE INTERNAL REVENUE CODE TO HAWAI\nINCOME TAX LAW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI:\n
SECTION 1. Section 235-3, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) The Internal Revenue Code, so far as made operative by this chapter, is a statute adopted and incorporated by reference. The Internal Revenue Code shall be applied using changes in nomenclature and other language, including the omission of inapplicable language, where necessary to effectuate the intent of this section. In the Internal Revenue Code, references to terms such as:

(1) "Secretary or his delegate" shall refer to the director of taxation and the director's duly authorized subordinates;

(2) "Estate taxes" shall refer to the estate and transfer tax imposed by chapter 236D[⊥] or 236E, as applicable;

(3) "The highest rate of tax imposed upon individuals" or "39.6 per cent" shall refer to the highest rate imposed upon individuals under section 235-51;
(4) "The highest rate of tax imposed upon corporations" shall refer to the highest rate imposed upon corporations under section 235-71; and

(5) "Interest at the underpayment rate" or "interest at the overpayment rate" shall refer to the interest rate set forth in section 231-39(b)(4) or section 231-23(d)(1), as the case may be."

SECTION 2. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval.

INTRODUCED BY: [Signature]

BY REQUEST
Report Title:
Taxes; Application of the Internal Revenue Code

Description:
Technical correction to reflect that the term "estate taxes" means either chapter 236D or chapter 236E, Hawaii Revised Statutes, as applicable based on the date of death.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
<table>
<thead>
<tr>
<th><strong>DEPARTMENT:</strong></th>
<th>Taxation</th>
</tr>
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<tbody>
<tr>
<td><strong>TITLE:</strong></td>
<td>A BILL FOR AN ACT RELATING TO APPLICATION OF INTERNAL REVENUE CODE TO HAWAII INCOME TAX LAW.</td>
</tr>
<tr>
<td><strong>PURPOSE:</strong></td>
<td>To amend the definition of &quot;estate taxes&quot; in chapter 235, Hawaii Revised Statutes (HRS), to include a reference to chapter 236E, HRS.</td>
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<td><strong>MEANS:</strong></td>
<td>Amend section 235-3(b), HRS.</td>
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<td><strong>JUSTIFICATION:</strong></td>
<td>The definition of &quot;estate taxes&quot; in section 235-3(b), HRS, must be amended to include chapter 236E for the purposes of clarity.</td>
</tr>
<tr>
<td><strong>Impact on the public:</strong></td>
<td>The public will clearly understand that references to the term &quot;estate taxes&quot; in chapter 235 refer to chapters 236D and 236E.</td>
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<tr>
<td><strong>Impact on the department and other agencies:</strong></td>
<td>The Department will have an easier time administering Hawaii's income tax law and will be able to answer taxpayer inquiries with certainty.</td>
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<tr>
<td><strong>GENERAL FUND:</strong></td>
<td>Pending.</td>
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<tr>
<td><strong>OTHER FUNDS:</strong></td>
<td>None.</td>
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<td><strong>PPBS PROGRAM DESIGNATION:</strong></td>
<td>None.</td>
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<tr>
<td><strong>OTHER AFFECTED AGENCIES:</strong></td>
<td>None.</td>
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<tr>
<td><strong>EFFECTIVE DATE:</strong></td>
<td>Upon approval.</td>
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</table>

TAX-05(14)
# SB2890 SD1

**Measure Title:** RELATING TO APPLICATION OF THE INTERNAL REVENUE CODE TO HAWAII INCOME TAX LAW.

**Report Title:** Taxes; Application of the Internal Revenue Code

**Description:**
Technical correction to reflect that the term “estate taxes” means taxes imposed under either chapter 236D or chapter 236E, HRS, as applicable based on the date of death. Applies the technical correction retroactively to 01/26/2012. (SD1)

**Companion:** HB2340

**Package:** Governor

**Current Referral:** FIN

**Introducer(s):** KIM (Introduced by request of another party)

<table>
<thead>
<tr>
<th>Sort by Date</th>
<th>Status Text</th>
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<tbody>
<tr>
<td>1/23/2014</td>
<td>S Introduced.</td>
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<tr>
<td>1/23/2014</td>
<td>S Passed First Reading.</td>
</tr>
<tr>
<td>1/23/2014</td>
<td>S Referred to WAM.</td>
</tr>
<tr>
<td>1/24/2014</td>
<td>S The committee(s) on WAM has scheduled a public hearing on 01-30-14 9:00AM in conference room 211.</td>
</tr>
<tr>
<td>1/30/2014</td>
<td>S The committee(s) on WAM deferred the measure until 02-05-14 10:00AM in conference room 211.</td>
</tr>
<tr>
<td>2/5/2014</td>
<td>S The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 11 Aye(s): Senator(s) Ige, Kidani, Chun Oakland, English, Espero, Kahele, Keith-Agaran, Kouchi, Ruderman, L. Thielen, Slom; Aye(s) with reservations: none ; 0 Noes: none; and 2 Excused: Senator(s) Dela Cruz, Tokuda.</td>
</tr>
<tr>
<td>2/14/2014</td>
<td>S Reported from WAM (Stand. Com. Rep. No. 2457) with recommendation of passage on Second Reading, as amended (SD 1) and placement on the calendar for Third Reading.</td>
</tr>
<tr>
<td>2/14/2014</td>
<td>S Report adopted; Passed Second Reading, as amended (SD 1).</td>
</tr>
<tr>
<td>2/18/2014</td>
<td>S Passed Third Reading, as amended (SD 1). Ayes, 25; Aye(s) with reservations: none . Noes, 0 (none). Excused, 0 (none). Transmitted to House.</td>
</tr>
<tr>
<td>2/18/2014</td>
<td>H Received from Senate (Sen. Com. No. 31) in amended form (SD 1).</td>
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<td>2/19/2014</td>
<td>H Pass First Reading</td>
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<tr>
<td>2/19/2014</td>
<td>H Referred to FIN, referral sheet 24</td>
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<tr>
<td>3/25/2014</td>
<td>H Bill scheduled to be heard by FIN on Thursday, 03-27-14 2:00PM in House conference room 308.</td>
</tr>
<tr>
<td>3/27/2014</td>
<td>H The committees on FIN recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 14 Ayes: Representative(s) Luke, Nishimoto, Johanson, Cullen, Ing, Kobayashi, Lowen, Morikawa, Onishi, Takayama, Tokioka, Yamashita, Fukumoto, Ward; Ayes with reservations: none ; Noes: none; and 3 Excused: Representative(s) Hashem, Jordan, Woodson.</td>
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<tr>
<td>4/4/2014</td>
<td>H Passed Second Reading; placed on the calendar for Third Reading with none voting aye with reservations; none voting no (0) and Representative(s) Cachola, Carroll, Woodson excused (3).</td>
</tr>
<tr>
<td>4/8/2014</td>
<td>H Passed Third Reading with none voting aye with reservations; none voting no (0) and none excused (0). Transmitted to Senate.</td>
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<tr>
<td>4/10/2014</td>
<td>S Received from House (Hse. Com. No. 673).</td>
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<td>Date</td>
<td>Action</td>
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<td>4/10/2014</td>
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S = Senate  | H = House  | D = Data Systems  | $ = Appropriation measure  | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

**SB2890 SD1**
April 23, 2014

The Honorable Donna Mercado Kim,  
President  
and Members of the Senate  
Twenty-Seventh State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Seventh State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on April 23, 2014, the following bill was signed into law:

SB2887 SD1 RELATING TO THE ESTATE AND GENERATION-SKIPPING TRANSFER TAXES  
ACT 044 (14)

Sincerely,

NEIL ABERCROMBIE  
Governor, State of Hawaii
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. Act 220, Session Laws of Hawaii 2012, enacted the Estate and Generation-Skipping Transfer Tax Reform Act, designated as chapter 236E, Hawaii Revised Statutes, which established the estate and generation-skipping transfer taxes based on the valuations, deduction, and expenses allowed for federal transfer tax purposes but with tax rates independent of the federal transfer taxes. The purposes of this Act are to:

(1) Fulfill the requirement to make annual conforming amendments to chapter 236E; and

(2) Amend the definition of "applicable exclusion amount" to close a loophole that allows a decedent to completely or substantially avoid the estate and generation-skipping transfer taxes by gifting away property prior to death, even on the eve of death.

SECTION 2. Section 236E-3, Hawaii Revised Statutes, is amended to read as follows:

"§236E-3 Conformance to the Internal Revenue Code; general application. For all decedents dying after January 25,
2012, as used in this chapter, "Internal Revenue Code" means subtitle B of the federal Internal Revenue Code of 1986, as amended as of [January 2, 2013] December 31, 2013, as it applies to the determination of gross estate, adjusted gross estate, federal taxable estate, and generation-skipping transfers, except those provisions of the Internal Revenue Code and federal public laws that, pursuant to this chapter, do not apply or are otherwise limited in application."

SECTION 3. Section 236E-6, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) An exclusion from a Hawaii taxable estate shall be allowed to the estate of every decedent against the tax imposed by section 236E-8. For the purpose of this section, the applicable exclusion amount is the same as the federal applicable exclusion amount, [er] the exemption equivalent of the unified credit[, without reduction for taxable gifts,] reduced by the amount of taxable gifts made by the decedent that reduces the amount of the federal applicable exclusion amount, or the exemption equivalent of the unified credit on the decedent's federal estate tax return, as set forth for the decedent in chapter 11 of the Internal Revenue Code as further adjusted below:
(1) For residents, 100 per cent of the applicable exclusion amount;

(2) For nonresidents, an amount computed by multiplying the applicable exclusion amount by a fraction, the numerator of which is the value of the property in the State subject to tax under this chapter, and the denominator of which is the federal gross estate; and

(3) For nonresidents not citizens, an amount computed by multiplying the exemption equivalent of the unified credit by a fraction, the numerator of which is the value of the property in the State subject to tax under this chapter, and the denominator of which is the federal gross estate."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval and shall apply to decedents dying or taxable transfers occurring after December 31, 2013.

APPROVED this 23 day of APR 2014

GOVERNOR OF THE STATE OF HAWAII
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2887, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE ESTATE AND GENERATION-SKIPPING TRANSFER TAXES,"

begs leave to report as follows:

The purpose of this measure is to:

(1) Conform the State's estate and generation-skipping transfer tax law to the Internal Revenue Code of 1986, as amended as of December 31, 2013; and

(2) Amend the definition of "applicable exclusion amount" to close a loophole in the current law that allows a decedent to avoid estate and generation-skipping transfer taxes.

The Department of Taxation testified in support of this measure. The Tax Foundation of Hawaii provided comments.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2887, S.D. 1, and recommends that it pass Second Reading and be placed on the calendar for Third Reading.
Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LUKE, Chair
## Record of Votes of the Committee on Finance

### Bill/Resolution No.: SB 2887, SD1
### Committee Referral: FIN
### Date: 3/27/2014

- The committee is reconsidering its previous decision on the measure.
- The recommendation is to: [ ] Pass, unamended (as is) [ ] Pass, with amendments (HD) [ ] Hold [ ] Pass short form bill with HD to recommit for future public hearing (recommit)

#### FIN Members

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<tr>
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<td>8. KOBAYASHI, Bertrand</td>
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<td>11. ONISHI, Richard H.K.</td>
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- The recommendation is: [ ] Adopted [ ] Not Adopted

If joint referral, _____ did not support recommendation.

Vice Chair's or designee's signature:

Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:  

Your Committee on Ways and Means, to which was referred S.B. No. 2887 entitled:  

"A BILL FOR AN ACT RELATING TO THE ESTATE AND GENERATION-SKIPPING TRANSFER TAXES,"  

begs leave to report as follows:  

The purpose and intent of this measure is to conform the State's estate and generation-skipping transfer tax law to the Internal Revenue Code of 1986, as amended as of December 31, 2013, and to close a loophole that allows a decedent to avoid estate and generation-skipping transfer taxes.  

The Department of Taxation provided testimony in support of this measure. The Tax Foundation of Hawaii provided comments on this measure.  

Your Committee finds that conforming chapter 236E, Hawaii Revised Statutes, to the Internal Revenue Code of 1986, as amended as of December 31, 2013, regarding estate taxes, will facilitate taxpayer compliance with the state and federal tax codes. Your Committee further finds that amending the definition of "applicable exclusion amount" will close a loophole that currently allows a decedent to avoid estate and generation-skipping transfer taxes by gifting away property as late as on the eve of death.  

Your Committee has amended this measure by making technical nonsubstantive amendments for purposes of style, clarity, and consistency.
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. 2887, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2887, 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,

DAVID Y. LEE, Chair
The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to:

The Recommendation is:

- [ ] Pass, unamended
- [x] Pass, with amendments
- [ ] Hold
- [ ] Recommit

### Members

<table>
<thead>
<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
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<td>IGE, David Y. (C)</td>
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<td>KIDANI, Michelle N. (VC)</td>
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<td>CHUN OAKLAND, Suzanne</td>
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<td>DELA CRUZ, Donovan M.</td>
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<td>KAHELE, Gilbert</td>
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<td>SLOM, Sam</td>
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Revised: 11/19/12
A BILL FOR AN ACT

RELATING TO THE ESTATE AND GENERATION-SKIPPING TRANSFER TAXES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Act 220, Session Laws of Hawaii 2012, enacted the Estate and Generation-Skipping Transfer Tax Reform Act, designated as chapter 236E, Hawaii Revised Statutes, which established the estate and generation skipping transfer taxes based on the valuations, deduction, and expenses allowed for federal transfer tax purposes but with tax rates independent of the federal transfer taxes. The purposes of this Act are (1) fulfill the requirement to make annual conforming amendments to chapter 236E and (2) to amend the definition of "applicable exclusion amount" to close a loophole that allows a decedent to completely or substantially avoid the estate and generation skipping transfer taxes by gifting away property prior to death, even on the eve of death.

SECTION 2. Section 236E-3, Hawaii Revised Statutes, is amended to read as follows:

"§236E-3 Conformance to the Internal Revenue Code; general application. For all decedents dying after January 25, 2012, as used in this chapter, "Internal Revenue Code" means subtitle B of the federal Internal Revenue Code of 1986, as
amended as of [December 31, 2011] December 31, 2013, as it applies to the determination of gross estate, adjusted gross estate, federal taxable estate, and generation-skipping transfers, except those provisions of the Internal Revenue Code and federal public laws that, pursuant to this chapter, do not apply or are otherwise limited in application."

SECTION 3. Section 236E-6, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) An exclusion from the Hawaii taxable estate shall be allowed to the estate of every decedent against the tax imposed by section 236E-8. For purposes of this section, the applicable exclusion amount is the same as the federal applicable exclusion amount, or the exemption equivalent of the unified credit, [without reduction for taxable gifts,] reduced by the amount of taxable gifts made by the decedent that reduces the amount of the federal applicable exclusion amount or the exemption equivalent of the unified credit on the decedent's federal estate tax return, as set forth for the decedent in chapter 11 of the Internal Revenue Code as further adjusted below:

(1) For residents, 100 per cent of the applicable exclusion amount;
(2) For nonresidents, an amount computed by multiplying the applicable exclusion amount by a fraction, the numerator of which is the value of the property in the State subject to tax under this chapter, and the denominator of which is the federal gross estate; and

(3) For nonresidents not citizens, an amount computed by multiplying the exemption equivalent of the unified credit by a fraction, the numerator of which is the value of the property in the State subject to tax under this chapter, and the denominator of which is the federal gross estate."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval and shall apply to decedents dying or taxable transfers occurring after December 31, 2013.

INTRODUCED BY:

BY REQUEST
Report Title:
Estate and Generation-skipping Transfer Tax Reform Act

Description:
Conforms chapter 236E, Hawaii Revised Statutes, to the Internal Revenue Code of 1986, as amended as of December 31, 2013; and amends the definition of the applicable exclusion amount to close an existing loophole.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
## JUSTIFICATION SHEET

<table>
<thead>
<tr>
<th>DEPARTMENT:</th>
<th>Taxation</th>
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<tbody>
<tr>
<td>TITLE:</td>
<td>A BILL FOR AN ACT RELATING TO ESTATE AND GENERATION-SKIPPING TRANSFER TAXES.</td>
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<tr>
<td>PURPOSE:</td>
<td>To amend Hawaii's estate and generation-skipping transfer tax law to conform with changes to the Internal Revenue Code made in calendar year 2013 and to amend the definition of &quot;applicable exclusion amount&quot; to close a loophole that allows a decedent to completely or substantially avoid the estate and generation-skipping transfer taxes by gifting away property prior to death.</td>
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<td>MEANS:</td>
<td>Amend sections 236E-3 and 236E-6(a), Hawaii Revised Statutes (HRS).</td>
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<tr>
<td>JUSTIFICATION:</td>
<td>Section 236E-4, HRS, mandates that the Department of Taxation submit to each regular session of the Legislature a bill that amends Hawaii's estate and generation-skipping transfer tax law to conform to changes in the Internal Revenue Code. This bill fulfills this requirement.</td>
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</table>

**Impact on the public:** Conformity through amendments to the operative provisions of the Internal Revenue Code will minimize the burden on taxpayers to comply with the requirements of Hawaii's estate and generation-skipping transfer tax law.

**Impact on the department and other agencies:** Conforming Hawaii's estate and generation-skipping transfer tax law to that of the Internal Revenue Code will increase consistency between the state and federal jurisdictions.

| GENERAL FUND: | Pending. |
OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: None.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval.
### SB2887 SD1

**Measure Title:** RELATING TO THE ESTATE AND GENERATION-SKIPPING TRANSFER TAXES.

**Report Title:** Estate and Generation-Skipping Transfer Tax Reform Act

**Description:** Conforms the State’s estate and generation-skipping transfer tax law to the Internal Revenue Code of 1986, as amended as of December 31, 2013; and amends the definition of the applicable exclusion amount to close an existing loophole. (SD1)

**Companion:** HB2337

**Package:** Governor

**Current Referral:** FIN

**Introducer(s):** KIM (Introduced by request of another party)

<table>
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<tr>
<td>1/23/2014</td>
<td>Introduced.</td>
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<tr>
<td>1/23/2014</td>
<td>Passed First Reading.</td>
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<td>1/23/2014</td>
<td>Referred to WAM.</td>
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<td>1/24/2014</td>
<td>The committee(s) on WAM has scheduled a public hearing on 01-30-14 9:00AM in conference room 211.</td>
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<td>1/30/2014</td>
<td>The committee(s) on WAM deferred the measure until 02-05-14 10:00AM in conference room 211.</td>
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<tr>
<td>2/5/2014</td>
<td>The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 12 Aye(s): Senator(s) Ige, Kidani, Chun Oakland, English, Espero, Kahele, Keith-Agaran, Kouchi, Ruderman, L. Thielen, Tokuda; Aye(s) with reservations: Senator(s) Slom; 0 No(es): none; and 1 Excused: Senator(s) Dela Cruz.</td>
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<td>2/11/2014</td>
<td>Reported from WAM (Stand. Com. Rep. No. 2190) with recommendation of passage on Second Reading, as amended (SD 1) and placement on the calendar for Third Reading.</td>
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<tr>
<td>2/11/2014</td>
<td>Report adopted; Passed Second Reading, as amended (SD 1).</td>
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<td>2/14/2014</td>
<td>Deferred until 02-14-14.</td>
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<td>2/14/2014</td>
<td>Passed Third Reading, as amended (SD 1). Ayes, 25; Aye(s) with reservations: none. Noes, 0 (none). Excused, 0 (none). Transmitted to House.</td>
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<td>2/18/2014</td>
<td>Received from Senate (Sen. Com. No. 24) in amended form (SD 1).</td>
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<td>2/19/2014</td>
<td>Referred to FIN, referral sheet 24.</td>
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<td>3/25/2014</td>
<td>Bill scheduled to be heard by FIN on Thursday, 03-27-14 2:00PM in House conference room 308.</td>
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<td>3/27/2014</td>
<td>The committees on FIN recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 14 Ayes: Representative(s) Luke, Nishimoto, Johanson, Cullen, Ing, Kobayashi, Lowen, Morikawa, Onishi, Takayama, Tokioka, Yamashita, Fukumoto, Ward; Ayes with reservations: none; Noes: none; and 3 Excused: Representative(s) Hashem, Jordan, Woodson.</td>
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<td>4/4/2014</td>
<td>Passed Second Reading; placed on the calendar for Third Reading with none voting aye with reservations; none voting no (0) and Representative(s) Cachola, Carroll, Woodson excused (3).</td>
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<td>4/8/2014</td>
<td>Passed Third Reading with Representative(s) Carroll, Cullen, Tokioka voting aye with reservations; Representative(s) Awana, Choy, Fale, Fukumoto, Hanohano, Har, Hashem, Ichiyama, Jordan, Kawakami, Oshiro, Say, Takayama voting no (13) and none excused</td>
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(0). Transmitted to Senate.

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<td>4/10/2014</td>
<td>Received from House (Hse. Com. No. 672).</td>
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<td>Enrolled to Governor.</td>
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**SB2887 SD1**

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S = Senate | H = House | D = Data Systems | $ = Appropriation measure | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.
May 19, 2014

The Honorable Donna Mercado Kim,                      The Honorable Joseph M. Souki,
President                                           Speaker and Members of the
and Members of the Senate                           House of Representatives
Twenty-Seventh State Legislature                     Twenty-Seventh State Legislature
State Capitol, Room 409                               State Capitol, Room 431
Honolulu, Hawaii 96813                               Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on May 19, 2014, the following bill was signed into law:

HB2434 HD2 SD2 CD1 RELATING TO THE TRANSIENT
ACCOMMODATIONS TAX
ACT 081 (14)

Signed

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to establish a method to use transient accommodations tax revenues to pay for the debt service on revenue bonds, the proceeds of which will be used to acquire the conservation easement in Turtle Bay, Oahu.

This Act:

(1) Authorizes the Hawaii tourism authority to issue $40,000,000 in revenue bonds and use the proceeds to acquire a conservation easement in Turtle Bay, Oahu;

(2) Allocates transient accommodations tax revenues of $3,000,000 annually to the Hawaii tourism authority for use to pay the debt service on the revenue bonds;

(3) Reduces the transient accommodations tax revenue allocation to the convention center enterprise special fund from $33,000,000 to $26,500,000; and

(4) Requires the Hawaii tourism authority and department of budget and finance to restructure the convention center debt owed to the department to accommodate an
annual payment for debt service of not more than
$16,500,000.

As a result of the events specified above, this Act is
intended to produce an additional $3,500,000 in transient
accommodations tax revenues to the general fund.

SECTION 2. Chapter 201B, Hawaii Revised Statutes, is
amended by adding two new sections to be appropriately
designated and to read as follows:

"§201B-A Revenue bonds for conservation easement in Turtle
Bay, Oahu. (a) As authorized by section 6 of Act , Session
Laws of Hawaii 2014, the authority shall issue revenue bonds to
acquire a conservation easement in Turtle Bay, Oahu. The public
shall have perpetual public access to said conservation
easement. The conservation easement shall be in compliance with
chapter 198.

Prior to executing the agreement to acquire the
conservation easement, the authority shall:

(1) Obtain an appraisal and perform its due diligence on
the conservation easement and property rights proposed
to be acquired; and

(2) Offer to hold an informational briefing for the
legislature. The offer shall be made through the
president of the senate and speaker of the house of representatives.

(b) For the purpose of this section, the authority shall be deemed a "department" and the acquisition of the conservation easement shall be deemed an "undertaking" under chapter 39.

(c) The revenue bonds issued to acquire the conservation easement shall be secured by and payable from the transient accommodations tax revenues allocated to the Turtle Bay conservation easement special fund established pursuant to section 201B-B. For this purpose, the revenues allocated shall be deemed "user taxes" for the undertaking.

(d) The revenue bonds shall be issued in accordance with chapter 39, part III. The authority shall request the director of finance, on behalf of the authority, to perform the duties specified under section 39-68 regarding the preparation, sale, and administration of the revenue bonds.

§201B-B Turtle Bay conservation easement special fund.

(a) There is established the Turtle Bay conservation easement special fund.

(b) Transient accommodations tax revenues allocated to the Turtle Bay conservation easement special fund pursuant to section 237D-6.5 shall be deposited into the special fund. All
interest earned on the moneys in the special fund shall be credited to the special fund.

(c) Moneys in the Turtle Bay conservation easement special fund shall be expended to pay the debt service on revenue bonds issued to acquire the conservation easement in Turtle Bay, Oahu, pursuant to section 201B-A.

(d) The Turtle Bay conservation easement special fund shall be exempt from the central service expenses of section 36-27 and departmental administrative expenses of section 36-30."

SECTION 3. Section 201B-8, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Moneys in the convention center enterprise special fund shall be used by the authority for the payment of any and all [debt service] of the following:

(1) Debt owed to the department of budget and finance relating to the convention center; any expense; provided that, after the restructuring required by section 5 of Act , Session Laws of Hawaii 2014, the annual debt service payment owed to the department shall not exceed $16,500,000 from fiscal year 2014-2015 until fully retired; and
(2) Expenses arising from any and all use, operation, maintenance, alteration, improvement, or any unforeseen or unplanned repairs of the convention center, including without limitation the food and beverage service and parking service provided at the convention center facility, the sale of souvenirs, logo items, or other items, for any future major repair, maintenance, and improvement of the convention center facility as a commercial enterprise or as a world class facility for conventions, entertainment, or public events, and for marketing the facility pursuant to section 201B-7(a)(7)."

SECTION 4. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

(1) \$33,000,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

(2) \$82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:
(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

(B) Of the $82,000,000 allocated:

(i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph,
beginning July 1, 2007, funds shall be deposited into the tourism emergency trust fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000 in the tourism emergency trust fund;

(3) $93,000,000 shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that commencing with fiscal year 2018-2019, a sum that represents the difference between a county public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the county public employer's contributions into that trust fund shall be retained by the state director of finance and deposited to the credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42, if the respective county fails to remit the total amount of the county's required annual contributions, as required under section 87A-43; [and]
(4) $3,000,000 shall be allocated to the Turtle Bay conservation easement special fund established under section 201B-B for the payment of debt service on revenue bonds, the proceeds of which were used to acquire the conservation easement in Turtle Bay, Oahu, until the bonds are fully amortized; and

[44] (5) Of the excess revenues deposited into the general fund pursuant to this subsection, $3,000,000 shall be allocated subject to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan for:

(A) The protection, preservation, and enhancement of natural resources important to the visitor industry;

(B) Planning, construction, and repair of facilities;

and

(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and
shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.

As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

SECTION 5. (a) The executive director of the Hawaii tourism authority and the director of finance shall enter into negotiations to restructure the debt owed to the department of budget and finance for the convention center so that the annual amount payable on the debt service is not more than $16,500,000 until fully retired.

(b) If the debt is not restructured as required under subsection (a), no state funds, including revenue bond funds, shall be expended to acquire any conservation easement or other real property interest in Turtle Bay, Oahu, notwithstanding the authorization under section 201B-A, Hawaii Revised Statutes, and sections 6 and 7 of this Act.

SECTION 6. (a) The board of directors of the Hawaii tourism authority, with the approval of the governor, is authorized to issue revenue bonds in the sum of $40,000,000 or so much thereof as may be necessary for fiscal year 2014-2015 for the purpose of acquiring a conservation easement in Turtle
Bay, Oahu, as authorized under section 201B-A, Hawaii Revised Statutes.

(b) The board of directors, with the approval of the governor, shall issue the revenue bonds under such terms, conditions, and maturity dates that do not require any debt service payment to exceed $3,000,000 in any fiscal year.

(c) If the board of directors cannot issue revenue bonds in accordance with the conditions of this section or section 201B-A or chapter 39, part III, Hawaii Revised Statutes, no state funds shall be expended to acquire any conservation easement or other real property interest in Turtle Bay, Oahu.

SECTION 7. There is appropriated out of the revenue bond proceeds authorized by section 6 of this Act the sum of $40,000,000 or so much thereof as may be necessary for fiscal year 2014-2015 to carry out the purpose of section 6; provided that any unexpended or unencumbered balance of the appropriation shall not lapse at the end of fiscal year 2014-2015 and shall lapse instead on June 30, 2016.

The sum appropriated shall be expended by the Hawaii tourism authority for the purpose of this Act.

SECTION 8. This Act shall not be severable. If any provision of this Act, or the application thereof to any person
or circumstance, is held invalid, then the entire Act shall be invalid.

SECTION 9. In codifying the new sections added by section 2 of this Act, the reviser of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 10. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 11. This Act shall take effect on July 1, 2014.

APPROVED this 19 day of MAY, 2014

[Signature]
GOVERNOR OF THE STATE OF HAWAI'I
Honolulu, Hawaii

April 25, 2014

RE: H.B. No. 2434
   H.D. 2
   S.D. 2
   C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 2434, H.D. 2, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE TRANSIENT ACCOMMODATIONS TAX,"

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 and intent of this measure is to specify uses for transient accommodations tax revenues.

Specifically, this measure:

(1) Specifies that transient accommodations tax revenues allocated pursuant to section 237D-6.5(b)(4), Hawaii Revised Statutes, shall only be allocated and expended by agreement of the Board of Land and Natural Resources and the Hawaii Tourism Authority in accordance with the Hawaii Tourism Authority strategic plan; and
(2) Allocates $3,000,000 of transient accommodation tax revenue to the special land and development fund.

Your Committee on Conference finds that a historic opportunity exists to acquire a conservation easement on lands at Turtle Bay on Oahu that would preserve in perpetuity public access to pristine oceanfront land that represent one of the finest examples of our State's natural beauty. The easement can be acquired by using transient accommodations tax revenue made available by refinancing the Hawaii Convention Center debt and thereby reducing the annual appropriation to the convention center enterprise special fund necessary to service that debt.

Accordingly, your Committee on Conference has amended this measure by deleting the amendments proposed in the Senate Draft 2 and inserting provisions that require the refinancing of the convention center debt and using the savings to acquire the conservation easement and provide $3,500,000 of additional revenue to the general fund.

More specifically, your Committee on Conference has amended this measure by deleting its contents and replacing it with language that:

(1) Requires the Hawaii Tourism Authority to obtain an appraisal and perform due diligence on the proposed conservation easement and property rights;

(2) Authorizes the Hawaii Tourism Authority to issue $40,000,000 in revenue bonds and to use those proceeds to acquire a conservation easement for lands at Turtle Bay on Oahu;

(3) Establishes the Turtle Bay conservation easement special fund;

(4) Annually allocates transient accommodations tax revenues of $3,000,000 to the Turtle Bay conservation easement special fund for the Hawaii Tourism Authority to fund the debt service on the revenue bonds;

(5) Reduces the transient accommodations tax revenue allocation to the convention center enterprise special fund from $33,000,000 to $26,500,000;
(6) Provides an additional $3,500,000 in transient accommodations tax revenue to the general fund;

(7) Requires the Hawaii Tourism Authority and the Department of Budget and Finance to restructure the convention center debt owed to the Department of Budget and Finance to accommodate an annual payment of not more than $16,500,000;

(8) Establishes that if the debt restructuring cannot be achieved in accordance with certain financial benchmarks, then no moneys shall be expended; and

(9) Inserts a provision that declares that the provisions of the measure are not severable.

Your Committee on Conference notes that, upon the retirement of the debt incurred to acquire the conservation easement at Turtle Bay, the continued application of the financing mechanism established by this measure will result in an additional $3,500,000 being deposited into the general fund.

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 H.B. No. 2434, H.D. 2, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 2434, H.D. 2, S.D. 2, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE SENATE

GILBERT KAHELE, Chair
MALAMA SOLOMON, Co-Chair
DAVID Y. IGE, Co-Chair

ON THE PART OF THE HOUSE

TOM BROWER, Co-Chair
SYLVIA LUNE, Co-Chair
Hawaii State Legislature

Record of Votes of a Conference Committee

Bill / Concurrent Resolution No.: HB 2434, HD 2, SD 2

Date/Time: 04/25/14 5:59 pm

☑ The recommendation of the House and Senate managers is to pass with amendments (CD).

☐ The Committee is reconsidering its previous decision.

☐ The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure.

☐ The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

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<thead>
<tr>
<th>Senate Managers</th>
<th>A</th>
<th>WR</th>
<th>N</th>
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<td>SOLOMON, Malama, Co-Chr.</td>
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<td>SLOM, Sam</td>
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TOTAL 5 0 0 0

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

Senate Recommendation is: ☑ Adopted  ☐ Not Adopted

House Recommendation is: ☑ Adopted  ☐ Not Adopted

Senate Lead Chair's or Designee's Signature: [Signature]

House Lead Chair's or Designee's Signature: [Signature]

Distribution: Original: File with Conference Committee Report
Yellow: House Clerk's Office
Pink: Senate Clerk's Office
Goldenrod: Drafting Agency
Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 2434, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE TRANSIENT ACCOMMODATIONS TAX,"

bega leave to report as follows:

The purpose and intent of this measure is to increase financial resources to support conservation and natural resource protection programs in the State.

More specifically this measure specifies that the portion of transient accommodations tax revenues currently allocated for expenditure, pursuant to agreement between the Hawaii Tourism Authority and the Board of Land and Natural Resources, for natural resources and facilities management costs related to the Hawaii Tourism Authority's strategic plan shall be:

(1) Deposited into the special land and development fund, rather than the general fund; and

(2) Distributed among the beach restoration special fund, state parks special fund, statewide trail and access program, and conservation and resources enforcement special fund.

Your Committee received written comments in support of this measure from the Department of Land and Natural Resources, Hawaii
Tourism Authority, The Chamber of Commerce of Hawaii, and Hawaii Lodging and Tourism Association. The Tax Foundation of Hawaii submitted written comments on the measure.

Your Committee finds that the Legislature enacted Act 161, Session Laws of Hawaii 2013, which modified the allocation of transient accommodations tax revenue to, among other things, provide a consistent source of funds for Hawaii to effectively market itself in a competitive tourist industry, to maintain tourist attractions, and to enhance the visitor experience. Your Committee also finds that although Act 161 set aside a portion of transient accommodations tax revenues for this purpose, it did not provide the authority to expend these funds.

Your Committee has amended this measure by:

(1) Inserting language to specifically authorize allocations of transient accommodations tax revenues from the special land and development fund to the beach restoration special fund, state parks special fund, statewide trail and access program, and conservation and resources enforcement special fund; and

(2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure.

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 H.B. No. 2434, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2434, H.D. 2, S.D. 2.

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

DAVID Y. IGE, Chair
The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to:

The Recommendation is:

- ☑ Pass, with amendments
- ☐ Pass, unamended
- ☐ Hold
- ☐ Recommit

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Recommendation:

- ☑ Adopted
- ☐ Not Adopted

Chair's or Designee's Signature:

*Only one measure per Record of Votes*
A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 171-19, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is created in the department a special fund to be designated as the "special land and development fund". Subject to the Hawaiian Homes Commission Act of 1920, as amended, and section 5(f) of the Admission Act of 1959, all proceeds of sale of public lands, including interest on deferred payments; all moneys collected under section 171-58 for mineral and water rights; all rents from leases, licenses, and permits derived from public lands; all moneys collected from lessees of public lands within industrial parks; all fees, fines, and other administrative charges collected under this chapter and chapter 183C; a portion of the highway fuel tax collected under chapter 243; all moneys collected by the department for the commercial use of public trails and trail accesses under the jurisdiction of the department; transient accommodations tax revenues collected pursuant to section 237D-6.5(b)(2); and private contributions for the management, maintenance, and
development of trails and accesses shall be set apart in the
fund and shall be used only as authorized by the legislature for
the following purposes:

(1) To reimburse the general fund of the State for
advances made that are required to be reimbursed from
the proceeds derived from sales, leases, licenses, or
permits of public lands;

(2) For the planning, development, management, operations,
or maintenance of all lands and improvements under the
control and management of the board[;] pursuant to
title 12, including but not limited to permanent or
temporary staff positions who may be appointed without
regard to chapter 76; provided that transient
accommodations tax revenues allocated pursuant to
section 237D-6.5(b)(4) shall only be allocated and
expended according to the mutual agreement of the
board of land and natural resources and the board of
directors of the Hawaii tourism authority in
accordance with the Hawaii tourism authority strategic
plan as provided in section 237D-6.5(b)(4), including
allocations to the:
(A) Beach restoration special fund, established pursuant to section 171-156;

(B) State parks special fund, established pursuant to section 184-3.4;

(C) Hawaii statewide trail and access program, established pursuant to section 198D-2; and

(D) Conservation and resources enforcement special fund, established pursuant to section 199-1.5;

(3) To repurchase any land, including improvements, in the exercise by the board of any right of repurchase specifically reserved in any patent, deed, lease, or other documents or as provided by law;

(4) For the payment of all appraisal fees; provided that all fees reimbursed to the board shall be deposited in the fund;

(5) For the payment of publication notices as required under this chapter; provided that all or a portion of the expenditures may be charged to the purchaser or lessee of public lands or any interest therein under rules adopted by the board;
(6) For the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department;

(7) For the payment to private land developers who have contracted with the board for development of public lands under section 171-60;

(8) For the payment of debt service on revenue bonds issued by the department, and the establishment of debt service and other reserves deemed necessary by the board;

(9) To reimburse the general fund for debt service on general obligation bonds issued to finance departmental projects, where the bonds are designated to be reimbursed from the special land and development fund;

(10) For the protection, planning, management, and regulation of water resources under chapter 174C; and

(11) For other purposes of this chapter."

SECTION 2. Section 171-156, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is established in the state treasury a special fund to be designated as the "beach restoration special fund" to
carry out the purposes of this part. The following moneys shall be deposited into the beach restoration special fund:

(1) Proceeds from the lease or development of public coastal lands designated pursuant to a beach restoration plan, subject to the Hawaiian Homes Commission Act of 1920, as amended, and section 5(f) of the Admission Act of 1959;

(2) Proceeds from the lease of public lands pursuant to this part for an existing seawall or revetment;

(3) Fines collected for unauthorized shoreline structures on state submerged land or conservation district land;

(4) Appropriations made by the legislature for deposit into this fund;

(5) Donations and contributions made by private individuals or organizations for deposit into this fund;

(6) Fees collected for the processing of applications for coastal and beach erosion control projects; [and]

(7) Grants provided by governmental agencies or any other source; and

(8) Funds allocated from the transient accommodations tax revenues pursuant to section 171-19(a)(2)."
SECTION 3. Section 184-3.4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is established within the state treasury a fund to be known as the state parks special fund, into which shall be deposited:

(1) All proceeds collected by the state parks programs involving park user fees, any leases or concession agreements, the sale of any article purchased from the department to benefit the state parks programs, or any gifts or contributions; provided that proceeds derived from the operation of Iolani Palace shall be used to supplement its educational and interpretive programs; and

(2) Transient accommodations tax revenues pursuant to section [237D-6.5; provided that these moneys shall be expended in response to a master plan developed in coordination with the Hawaii tourism authority.]"

171-19(a)(2)."

SECTION 4. Section 198D-2, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (b) to read:
"(b) The trail and access program shall use funding for the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department from the following sources:

(1) A portion of the highway fuel taxes collected under chapter 243;

(2) Federal government grants;

(3) Private contributions;

(4) Fees, established pursuant to administrative rules and charged by the department for the commercial and other use of trails and trail accesses under the jurisdiction of the department; and

(5) Transient accommodations tax revenues pursuant to section [237D 6.5.] 171-19(a)(2)."

2. By amending subsection (d) to read:

"(d) The moneys specified in subsection (b)(1), (3), and (4)[,...and(5)] shall be deposited in the special land and development fund under section 171-19 for the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department[,...provided that the moneys specified in subsection (b)(5) shall be expended for the management, maintenance, and development of trails and access..."
areas frequented by visitors in response to a master plan
developed in coordination with the Hawaii tourism authority]."

SECTION 5. Section 199-1.5, Hawaii Revised Statutes, is
amended by amending subsection (b) to read as follows:

"(b) The following shall be deposited into the
conservation and resources enforcement special fund:

(1) Grants, awards, donations, gifts, transfers, or moneys
derived from public or private sources for the
purposes of enforcing the provisions of title 12;
chapters 6D, 6E, and 6K; or any rule adopted
thereunder;

(2) Fees, reimbursements, administrative charges, and
penalties collected for activities related to the
enforcement of natural, cultural, and historic
resources protection laws and rules, except as
otherwise provided by law that provides for deposits
into other special funds administered by the
department;

(3) Moneys derived from interest, dividends, or other
income from the above-mentioned sources; [and]

(4) Appropriations by the legislature to the special
fund[; and]
(5) Transient accommodations tax revenues pursuant to section 171-19(a)(2)."

SECTION 6. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

(1) $33,000,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

(2) $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

(B) Of the $82,000,000 allocated:

(i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the
museum of Hawaiian music and dance at the Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph, beginning July 1, 2007, funds shall be deposited into the tourism emergency trust fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000 in the tourism emergency trust fund;

(3) $93,000,000 shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that commencing
with fiscal year 2018-2019, a sum that represents the difference between a county public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the county public employer's contributions into that trust fund shall be retained by the state director of finance and deposited to the credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42, if the respective county fails to remit the total amount of the county's required annual contributions, as required under section 87A-43; and

(4) [Of the excess revenues deposited into the general fund pursuant to this subsection,] $3,000,000 shall be allocated to the special land and development fund, established pursuant to section 171-19, subject to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan for:
(A) The protection, preservation, and enhancement of natural resources important to the visitor industry;

(B) Planning, construction, and repair of facilities;

and

(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.

As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect on July 1, 2050.
Report Title:
Transient Accommodations Tax; Special Land and Development Fund; Beach Restoration Special Fund; State Parks Special Fund

Description:
Specifies the distribution and allowable uses, subject to agreement between the HTA and the BLNR, of transient accommodations tax revenues allocated to the special land and development fund for resource and facilities management costs related to the HTA's strategic plan. Effective 7/1/2050. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:  

Your Committees on Tourism and Water and Land, to which was referred H.B. No. 2434, H.D. 2, entitled:  

"A BILL FOR AN ACT RELATING TO THE TRANSIENT ACCOMMODATIONS TAX,"  

beg leave to report as follows:  

The purpose and intent of this measure is to specify that the $3,000,000 transient accommodations tax revenue amount currently allocated for expenditure pursuant to agreement between the Hawaii Tourism Authority and the Board of Land and Natural Resources for natural resources and facilities management costs related to the Hawaii Tourism Authority’s strategic plan shall be:  

(1) Deposited into the special land and development fund, rather than the general fund; and  

(2) Distributed among the beach restoration special fund, state parks special fund, trail and access program, and conservation and resources enforcement special fund. •  

Your Committees received testimony in support of this measure from the Department of Land and Natural Resources and Hawaii Tourism Authority. Your Committees received comments on this measure from the Tax Foundation of Hawaii.  

Your Committees find that it is important to allocate portions of the transient accommodations tax revenue for the
planning, development, management, operations, and maintenance of Hawaii's lands and natural resources. Your Committees recognize the importance of supporting programs to enhance Hawaii's lands and culture. This measure will fund projects to preserve the pristine beauty of Hawaii for residents and visitors.

Your Committees have amended this measure by making the measure effective upon approval.

As affirmed by the records of votes of the members of your Committees on Tourism and Water and Land that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2434, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2434, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Tourism and Water and Land,

MALAMA SOLOMON, Chair

GILBERT KAHELE, Chair
Bill / Resolution No.:* HB2434 HD2 Committee Referral: TSM/WTL, WAM Date: 03/19/14

☐ The committee is reconsidering its previous decision on this measure.
   If so, then the previous decision was to: ________________________________

The Recommendation is:
☐ Pass, unamended
☐ Pass, with amendments
☐ Hold
☐ Recomit

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<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
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TOTAL 4 0 0 1

Recommendation: ☑ Adopted ☐ Not Adopted

Chair's or Designee's Signature: ________________________________

Distribution: Original Pink Goldenrod
File with Committee Report Clerk's Office Drafting Agency Committee File Copy

*Only one measure per Record of Votes

Revised: 10/04/13
Bill / Resolution No.:* HB2434 HD2 Committee Referral: TSM/WTL, WAM Date: 3.19.14

☐ The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: ____________________________

The Recommendation is:

☐ Pass, unamended 2312
☐ Pass, with amendments 2311
☐ Hold 2310
☐ Recommit 2313

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<td>SHIMABUKURO, Maile S.L.</td>
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<td>TANIGUCHI, Brian</td>
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<td>THIELEN, Laura H.</td>
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<td>SLOM, Sam</td>
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TOTAL 7 0 0 2

Recommendation: ☑ Adopted ☐ 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

Revised: 07/01/13
A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 171-19, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is created in the department a special fund to be designated as the "special land and development fund". Subject to the Hawaiian Homes Commission Act of 1920, as amended, and section 5(f) of the Admission Act of 1959, all proceeds of sale of public lands, including interest on deferred payments; all moneys collected under section 171-58 for mineral and water rights; all rents from leases, licenses, and permits derived from public lands; all moneys collected from lessees of public lands within industrial parks; all fees, fines, and other administrative charges collected under this chapter and chapter 183C; a portion of the highway fuel tax collected under chapter 243; all moneys collected by the department for the commercial use of public trails and trail accesses under the jurisdiction of the department; transient accommodations tax revenues collected pursuant to section [237D-6.5(b)(2);] 237D-6.5(b)(4); and private contributions for the management, maintenance, and
development of trails and accesses shall be set apart in the fund and shall be used only as authorized by the legislature for the following purposes:

1. To reimburse the general fund of the State for advances made that are required to be reimbursed from the proceeds derived from sales, leases, licenses, or permits of public lands;

2. For the planning, development, management, operations, or maintenance of all lands and improvements under the control and management of the board pursuant to title 12, including but not limited to permanent or temporary staff positions who may be appointed without regard to chapter 76; provided that transient accommodations tax revenues allocated pursuant to section 237D-6.5(b)(4) shall only be allocated and expended according to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan as provided in section 237D-6.5(b)(4);

3. To repurchase any land, including improvements, in the exercise by the board of any right of repurchase
specifically reserved in any patent, deed, lease, or other documents or as provided by law;

(4) For the payment of all appraisal fees; provided that all fees reimbursed to the board shall be deposited in the fund;

(5) For the payment of publication notices as required under this chapter; provided that all or a portion of the expenditures may be charged to the purchaser or lessee of public lands or any interest therein under rules adopted by the board;

(6) For the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department;

(7) For the payment to private land developers who have contracted with the board for development of public lands under section 171-60;

(8) For the payment of debt service on revenue bonds issued by the department, and the establishment of debt service and other reserves deemed necessary by the board;

(9) To reimburse the general fund for debt service on general obligation bonds issued to finance
departmental projects, where the bonds are designated
to be reimbursed from the special land and development
fund;

(10) For the protection, planning, management, and
regulation of water resources under chapter 174C; and

(11) For other purposes of this chapter."

SECTION 2. Section 171-156, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:

"(a) There is established in the state treasury a special
fund to be designated as the "beach restoration special fund" to
carry out the purposes of this part. The following moneys shall
be deposited into the beach restoration special fund:

(1) Proceeds from the lease or development of public
coastal lands designated pursuant to a beach
restoration plan, subject to the Hawaiian Homes
Commission Act of 1920, as amended, and section 5(f)
of the Admission Act of 1959;

(2) Proceeds from the lease of public lands pursuant to
this part for an existing seawall or revetment;

(3) Fines collected for unauthorized shoreline structures
on state submerged land or conservation district land;
(4) Appropriations made by the legislature for deposit into this fund;
(5) Donations and contributions made by private individuals or organizations for deposit into this fund;
(6) Fees collected for the processing of applications for coastal and beach erosion control projects; [and]
(7) Grants provided by governmental agencies or any other source[; and]
(8) Funds allocated from the transient accommodations tax revenues pursuant to section 171-19(a)(2)."

SECTION 3. Section 184-3.4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:
"(a) There is established within the state treasury a fund to be known as the state parks special fund, into which shall be deposited:
(1) All proceeds collected by the state parks programs involving park user fees, any leases or concession agreements, the sale of any article purchased from the department to benefit the state parks programs, or any gifts or contributions; provided that proceeds derived from the operation of Iolani Palace shall be used to
supplement its educational and interpretive programs;

and

(2) Transient accommodations tax revenues pursuant to section [237D-6.5; provided that these moneys shall be expended in response to a master plan developed in coordination with the Hawaii tourism authority.]

171-19(a)(2)."

SECTION 4. Section 198D-2, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (b) to read:

"(b) The trail and access program shall use funding for the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department from the following sources:

(1) A portion of the highway fuel taxes collected under chapter 243;

(2) Federal government grants;

(3) Private contributions;

(4) Fees, established pursuant to administrative rules and charged by the department for the commercial and other use of trails and trail accesses under the jurisdiction of the department; and
1 (5) Transient accommodations tax revenues pursuant to
2 section [237D-6.5.] 171-19(a)(2)."
3
2. By amending subsection (d) to read:
4 "(d) The moneys specified in subsection (b)(1), (3), and
5 (4)[, and (5)] shall be deposited in the special land and
6 development fund under section 171-19 for the management,
7 maintenance, and development of trails and trail accesses under
8 the jurisdiction of the department[; provided that the moneys
9 specified in subsection (b)(5) shall be expended for the
10 management, maintenance, and development of trails and access
11 areas frequented by visitors in response to a master plan
12 developed in coordination with the Hawaii tourism authority]."
13
14 SECTION 5. Section 199-1.5, Hawaii Revised Statutes, is
15 amended by amending subsection (b) to read as follows:
16 "(b) The following shall be deposited into the
17 conservation and resources enforcement special fund:
18 (1) Grants, awards, donations, gifts, transfers, or moneys
19 derived from public or private sources for the
20 purposes of enforcing the provisions of title 12;
21 chapters 6D, 6E, and 6K; or any rule adopted
22 thereunder;
(2) Fees, reimbursements, administrative charges, and penalties collected for activities related to the enforcement of natural, cultural, and historic resources protection laws and rules, except as otherwise provided by law that provides for deposits into other special funds administered by the department;

(3) Moneys derived from interest, dividends, or other income from the above-mentioned sources; [and]

(4) Appropriations by the legislature to the special fund[–]; and

(5) Transient accommodations tax revenues pursuant to section 171-19(a)(2)."

SECTION 6. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

(1) $33,000,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;
(2) $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

(B) Of the $82,000,000 allocated:

(i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum
authorized by the legislature for expenditure
from revenues subject to this paragraph,
beginning July 1, 2007, funds shall be deposited
into the tourism emergency trust fund,
established in section 201B-10, in a manner
sufficient to maintain a fund balance of
$5,000,000 in the tourism emergency trust fund;

(3) $93,000,000 shall be allocated as follows: Kauai
county shall receive 14.5 per cent, Hawaii county
shall receive 18.6 per cent, city and county of
Honolulu shall receive 44.1 per cent, and Maui county
shall receive 22.8 per cent; provided that commencing
with fiscal year 2018-2019, a sum that represents the
difference between a county public employer's annual
required contribution for the separate trust fund
established under section 87A-42 and the amount of the
county public employer's contributions into that trust
fund shall be retained by the state director of
finance and deposited to the credit of the county
public employer's annual required contribution into
that trust fund in each fiscal year, as provided in
section 87A-42, if the respective county fails to
remit the total amount of the county's required annual contributions, as required under section 87A-43; and

(4) [Of the excess revenues deposited into the general fund pursuant to this subsection,] $3,000,000 shall be allocated to the special land and development fund, established pursuant to section 171-19, subject to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan for:

(A) The protection, preservation, and enhancement of natural resources important to the visitor industry;

(B) Planning, construction, and repair of facilities; and

(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.
As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect upon its approval.
Report Title:
Transient Accommodations Tax; Special Land and Development Fund; Beach Restoration Special Fund; State Parks Special Fund

Description:
Specifies the distribution and allowable uses, subject to agreement between the Hawaii Tourism Authority and the Board of Land and Natural Resources, of Transient Accommodations Tax funds allocated to the Special Land and Development Fund for resource and facilities management costs related to Hawaii Tourism Authority's Strategic Plan. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Sir:

Your Committee on Finance, to which was referred H.B. No. 2434, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE TRANSIENT ACCOMMODATIONS TAX,"

begs leave to report as follows:

The purpose of this measure is to specify that the $3,000,000 Transient Accommodations Tax (TAT) revenue amount currently allocated for expenditure pursuant to agreement between the Hawaii Tourism Authority (HTA) and the Board of Land and Natural Resources (BLNR) for natural resources and facilities purposes in accordance with HTA's Strategic Plan shall be:

(1) Deposited into the Special Land and Development Fund rather than the general fund; and

(2) Distributed among the Beach Restoration Special Fund, State Parks Special Fund, Trail and Access Program, and Conservation and Resources Enforcement Special Fund for expenditure by various divisions of the Department of Land and Natural resources in accordance with the agreement between BLNR and HTA.

The Department of Land and Natural Resources, Hawaii Tourism Authority, The Chamber of Commerce of Hawaii, Outrigger Hotels
Hawaii, and Hawai'i Lodging & Tourism Association supported this measure. The Tax Foundation of Hawaii commented on this measure.

Your Committee has amended this bill by:

(1) Changing its effective date to July 1, 2030, to facilitate further discussion; and

(2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2434, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2434, H.D. 2.

Respectfully submitted on behalf of the members of the Committee on Finance,

[Signature]

Sylvia Luke, Chair
## Record of Votes of the Committee on Finance

<table>
<thead>
<tr>
<th>Bill/Resolution No.:</th>
<th>Committee Referral:</th>
<th>Date:</th>
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<tr>
<td>HB 2434, HD1</td>
<td>TOU, FIN</td>
<td>2/25/2014</td>
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</table>

- The committee is reconsidering its previous decision on the measure.
- The recommendation is to:  
  - Pass, unamended (as is)  
  - Pass, with amendments (HD)  
  - Hold  
  - Pass short form bill with HD to recommit for future public hearing (recommit)

### FIN Members

<table>
<thead>
<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
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<td>1. LUKE, Sylvia (C)</td>
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<td>2. NISHIMOTO, Scott Y. (VC)</td>
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<td>3. JOHANSON, Aaron Ling (VC)</td>
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<td>4. CULLEN, Ty J.K.</td>
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<td>5. HASHEM, Mark J.</td>
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<td>6. ING, Kaniela</td>
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<td>8. KOBAYASHI, Bertrand</td>
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<td>10. MORIKAWA, Dee</td>
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<td>14. WOODSON, Justin H.</td>
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<td>15. YAMASHITA, Kyle T.</td>
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<td>16. FUKUMOTO, Beth</td>
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<td>17. WARD, Gene</td>
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**TOTAL (17)**

The recommendation is:  
- Adopted  
- Not Adopted

**Distribution:**  
- Original (White) – Committee  
- Duplicate (Yellow) – Chief Clerk's Office  
- Duplicate (Pink) – HMSO
A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 171-19, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is created in the department a special fund to be designated as the "special land and development fund". Subject to the Hawaiian Homes Commission Act of 1920, as amended, and section 5(f) of the Admission Act of 1959, all proceeds of sale of public lands, including interest on deferred payments; all moneys collected under section 171-58 for mineral and water rights; all rents from leases, licenses, and permits derived from public lands; all moneys collected from lessees of public lands within industrial parks; all fees, fines, and other administrative charges collected under this chapter and chapter 183C; a portion of the highway fuel tax collected under chapter 243; all moneys collected by the department for the commercial use of public trails and trail accesses under the jurisdiction of the department; transient accommodations tax revenues collected pursuant to section 237D-6.5(b)(2); and private contributions for the management, maintenance, and
development of trails and accesses shall be set apart in the fund and shall be used only as authorized by the legislature for the following purposes:

(1) To reimburse the general fund of the State for advances made that are required to be reimbursed from the proceeds derived from sales, leases, licenses, or permits of public lands;

(2) For the planning, development, management, operations, or maintenance of all lands and improvements under the control and management of the board[\textsuperscript{7} pursuant to title 12, including but not limited to permanent or temporary staff positions who may be appointed without regard to chapter 76; provided that transient accommodations tax revenues allocated pursuant to section 237D-6.5(b)(4) shall only be allocated and expended according to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan as provided in section 237D-6.5(b)(4);

(3) To repurchase any land, including improvements, in the exercise by the board of any right of repurchase
specifically reserved in any patent, deed, lease, or other documents or as provided by law;

(4) For the payment of all appraisal fees; provided that all fees reimbursed to the board shall be deposited in the fund;

(5) For the payment of publication notices as required under this chapter; provided that all or a portion of the expenditures may be charged to the purchaser or lessee of public lands or any interest therein under rules adopted by the board;

(6) For the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department;

(7) For the payment to private land developers who have contracted with the board for development of public lands under section 171-60;

(8) For the payment of debt service on revenue bonds issued by the department, and the establishment of debt service and other reserves deemed necessary by the board;

(9) To reimburse the general fund for debt service on general obligation bonds issued to finance
departmental projects, where the bonds are designated
to be reimbursed from the special land and development
fund;

(10) For the protection, planning, management, and
regulation of water resources under chapter 174C; and

(11) For other purposes of this chapter."

SECTION 2. Section 171-156, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:

"(a) There is established in the state treasury a special
fund to be designated as the "beach restoration special fund" to
carry out the purposes of this part. The following moneys shall
be deposited into the beach restoration special fund:

(1) Proceeds from the lease or development of public
coastal lands designated pursuant to a beach
restoration plan, subject to the Hawaiian Homes
Commission Act of 1920, as amended, and section 5(f)
of the Admission Act of 1959;

(2) Proceeds from the lease of public lands pursuant to
this part for an existing seawall or revetment;

(3) Fines collected for unauthorized shoreline structures
on state submerged land or conservation district land;
(4) Appropriations made by the legislature for deposit into this fund;

(5) Donations and contributions made by private individuals or organizations for deposit into this fund;

(6) Fees collected for the processing of applications for coastal and beach erosion control projects; [and]

(7) Grants provided by governmental agencies or any other source[—; and]

(8) **Funds allocated from the transient accommodations tax revenues pursuant to section 171-19(a)(2).**

SECTION 3. Section 184-3.4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is established within the state treasury a fund to be known as the state parks special fund, into which shall be deposited:

(1) All proceeds collected by the state parks programs involving park user fees, any leases or concession agreements, the sale of any article purchased from the department to benefit the state parks programs, or any gifts or contributions; provided that proceeds derived from the operation of Iolani Palace shall be used to
supplement its educational and interpretive programs;

and

(2) Transient accommodations tax revenues pursuant to section [237D-6.5; provided that these moneys shall be expended in response to a master plan developed in coordination with the Hawaii tourism authority.] 171-19(a)(2)."

SECTION 4. Section 198D-2, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (b) to read:

"(b) The trail and access program shall use funding for the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department from the following sources:

(1) A portion of the highway fuel taxes collected under chapter 243;

(2) Federal government grants;

(3) Private contributions;

(4) Fees, established pursuant to administrative rules and charged by the department for the commercial and other use of trails and trail accesses under the jurisdiction of the department; and
(5) Transient accommodations tax revenues pursuant to section [237D-6.5-] 171-19(a)(2)."

2. By amending subsection (d) to read:

"(d) The moneys specified in subsection (b)(1), (3), and (4)[, and (5)] shall be deposited in the special land and development fund under section 171-19 for the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department[; provided that the moneys specified in subsection (b)(5) shall be expended for the management, maintenance, and development of trails and access areas frequented by visitors in response to a master plan developed in coordination with the Hawaii tourism authority]."

SECTION 5. Section 199-1.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) The following shall be deposited into the conservation and resources enforcement special fund:

(1) Grants, awards, donations, gifts, transfers, or moneys derived from public or private sources for the purposes of enforcing the provisions of title 12; chapters 6D, 6E, and 6K; or any rule adopted thereunder;"
(2) Fees, reimbursements, administrative charges, and penalties collected for activities related to the enforcement of natural, cultural, and historic resources protection laws and rules, except as otherwise provided by law that provides for deposits into other special funds administered by the department;

(3) Moneys derived from interest, dividends, or other income from the above-mentioned sources; [and]

(4) Appropriations by the legislature to the special fund[; and]

(5) Transient accommodations tax revenues pursuant to section 171-19(a)(2)."

SECTION 6. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

(1) $33,000,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;
(2) $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

(B) Of the $82,000,000 allocated:

(i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum
authorized by the legislature for expenditure from revenues subject to this paragraph, beginning July 1, 2007, funds shall be deposited into the tourism emergency trust fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000 in the tourism emergency trust fund;

(3) $93,000,000 shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that commencing with fiscal year 2018-2019, a sum that represents the difference between a county public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the county public employer's contributions into that trust fund shall be retained by the state director of finance and deposited to the credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42, if the respective county fails to
remit the total amount of the county's required annual contributions, as required under section 87A-43; and

(4) [Of the excess revenues deposited into the general fund pursuant to this subsection] $3,000,000 shall be allocated to the special land and development fund, established pursuant to section 171-19, subject to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan for:

(A) The protection, preservation, and enhancement of natural resources important to the visitor industry;

(B) Planning, construction, and repair of facilities; and

(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.
As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect on July 1, 2030.
Report Title:
Transient Accommodations Tax; Special Land and Development Fund; Beach Restoration Special Fund; State Parks Special Fund

Description:
Specifies the distribution and allowable uses, subject to agreement between the Hawaii Tourism Authority and the Board of Land and Natural Resources, of Transient Accommodations Tax funds allocated to the Special Land and Development Fund for resource and facilities management costs related to Hawaii Tourism Authority's Strategic Plan. Effective July 1, 2030. (HB2434 HD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Sir:

Your Committee on Tourism, to which was referred H.B. No. 2434 entitled:

"A BILL FOR AN ACT RELATING TO THE TRANSIENT ACCOMMODATIONS TAX,"

begs leave to report as follows:

The purpose of this measure is to specify that the $3,000,000 Transient Accommodations Tax (TAT) revenue amount currently allocated for expenditure pursuant to agreement between the Hawaii Tourism Authority (HTA) and the Board of Land and Natural Resources (BLNR) for natural resources and facilities purposes in accordance with HTA’s Strategic Plan shall be:

1. Deposited into the Special Land and Development Fund, rather than the general fund; and

2. Distributed among the Beach Restoration Special Fund, State Parks Special Fund, and Trail and Access Program for expenditure by various divisions of the Department of Land and Natural Resources in accordance with the agreement between BLNR and HTA.

The HTA and Outrigger Hotels Hawaii supported this measure. The Department of Land and Natural Resources, Historic Hawaii Foundation, and Tax Foundation of Hawaii commented on this measure.
Your Committee has amended this measure by:

(1) Adding allocation to and expenditure from the Conservation and Resources Enforcement Special Fund as an authorized use for TAT revenues allocated pursuant to agreement between BLNR and HTA; and

(2) Making the measure effective upon its approval to ensure that previously allocated funds are available in the current fiscal year.

As affirmed by the record of votes of the members of your Committee on Tourism that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2434, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2434, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Tourism,

TOM BROWER, Chair
State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature  

Record of Votes of the Committee on Tourism

<table>
<thead>
<tr>
<th>Bill/Resolution No.</th>
<th>Committee Referral</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>HB 2434</td>
<td>TOU, FIN</td>
<td>02-03-14</td>
</tr>
</tbody>
</table>

- The committee is reconsidering its previous decision on the measure.
- The recommendation is to:  
  - Pass, unamended (as is)  
  - Pass, with amendments (HD)  
  - Hold  
  - Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
<thead>
<tr>
<th>TOU Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. BROWER, Tom (C)</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. CACHOLA, Romy M. (VC)</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. AWANA, Karen</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. CHOIY, Isaac W.</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. OHNO, Takashi</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. ONISHI, Richard H.K.</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. TAKAI, K. Mark</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. TOKIOKA, James Kunane</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. TSUJI, Clift</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. WARD, Gene</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL (10)  

- The recommendation is:  
  - Adopted  
  - Not Adopted
- If joint referral, committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature:  

Distribution:  
- Original (White) – Committee  
- Duplicate (Yellow) – Chief Clerk's Office  
- Duplicate (Pink) – HMSO
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 171-19, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is created in the department a special fund to be designated as the "special land and development fund".

Subject to the Hawaiian Homes Commission Act of 1920, as amended, and section 5(f) of the Admission Act of 1959, all proceeds of sale of public lands, including interest on deferred payments; all moneys collected under section 171-58 for mineral and water rights; all rents from leases, licenses, and permits derived from public lands; all moneys collected from lessees of public lands within industrial parks; all fees, fines, and other administrative charges collected under this chapter and chapter 183C; a portion of the highway fuel tax collected under chapter 243; all moneys collected by the department for the commercial use of public trails and trail accesses under the jurisdiction of the department; transient accommodations tax revenues collected pursuant to section [237D-6.5(b)(2)] 237D-6.5(b)(4); and private contributions for the management, maintenance, and
development of trails and accesses shall be set apart in the fund and shall be used only as authorized by the legislature for the following purposes:

(1) To reimburse the general fund of the State for advances made that are required to be reimbursed from the proceeds derived from sales, leases, licenses, or permits of public lands;

(2) For the planning, development, management, operations, or maintenance of all lands and improvements under the control and management of the board pursuant to title 12, including but not limited to permanent or temporary staff positions who may be appointed without regard to chapter 76; provided that transient accommodations tax revenues allocated pursuant to section 237D-6.5(b)(4) shall only be allocated and expended according to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan as provided in section 237D-6.5(b)(4);

(3) To repurchase any land, including improvements, in the exercise by the board of any right of repurchase
1 specifically reserved in any patent, deed, lease, or
2 other documents or as provided by law;
3 (4) For the payment of all appraisal fees; provided that
4 all fees reimbursed to the board shall be deposited in
5 the fund;
6 (5) For the payment of publication notices as required
7 under this chapter; provided that all or a portion of
8 the expenditures may be charged to the purchaser or
9 lessee of public lands or any interest therein under
10 rules adopted by the board;
11 (6) For the management, maintenance, and development of
12 trails and trail accesses under the jurisdiction of
13 the department;
14 (7) For the payment to private land developers who have
15 contracted with the board for development of public
16 lands under section 171-60;
17 (8) For the payment of debt service on revenue bonds
18 issued by the department, and the establishment of
19 debt service and other reserves deemed necessary by
20 the board;
21 (9) To reimburse the general fund for debt service on
22 general obligation bonds issued to finance
departmental projects, where the bonds are designated
to be reimbursed from the special land and development
fund;
(10) For the protection, planning, management, and
regulation of water resources under chapter 174C; and
(11) For other purposes of this chapter."

SECTION 2. Section 171-156, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:
"(a) There is established in the state treasury a special
fund to be designated as the "beach restoration special fund" to
carry out the purposes of this part. The following moneys shall
be deposited into the beach restoration special fund:
(1) Proceeds from the lease or development of public
coastal lands designated pursuant to a beach
restoration plan, subject to the Hawaiian Homes
Commission Act of 1920, as amended, and section 5(f)
of the Admission Act of 1959;
(2) Proceeds from the lease of public lands pursuant to
this part for an existing seawall or revetment;
(3) Fines collected for unauthorized shoreline structures
on state submerged land or conservation district land;
(4) Appropriations made by the legislature for deposit into this fund;

(5) Donations and contributions made by private individuals or organizations for deposit into this fund;

(6) Fees collected for the processing of applications for coastal and beach erosion control projects; [and]

(7) Grants provided by governmental agencies or any other source[-]; and

(8) Funds allocated from the transient accommodations tax revenues pursuant to section 171-19(a)(2)."

SECTION 3. Section 184-3.4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is established within the state treasury a fund to be known as the state parks special fund, into which shall be deposited:

(1) All proceeds collected by the state parks programs involving park user fees, any leases or concession agreements, the sale of any article purchased from the department to benefit the state parks programs, or any gifts or contributions; provided that proceeds derived from the operation of Iolani Palace shall be used to
supplement its educational and interpretive programs;
and

(2) Transient accommodations tax revenues pursuant to
section [237D-6.5; provided that these moneys shall be
expended in response to a master plan developed in
coordination with the Hawaii tourism authority.] 171-
19(a)(2).

SECTION 4. Section 198D-2, Hawaii Revised Statutes, is
amended as follows:

1. By amending subsection (b) to read:

"(b) The trail and access program shall use funding for
the management, maintenance, and development of trails and trail
accesses under the jurisdiction of the department from the
following sources:

(1) A portion of the highway fuel taxes collected under
chapter 243;
(2) Federal government grants;
(3) Private contributions;
(4) Fees, established pursuant to administrative rules and
charged by the department for the commercial and other
use of trails and trail accesses under the
jurisdiction of the department; and
(5) Transient accommodations tax revenues pursuant to section [237D-6.5.] 171-19(a)(2)."

2. By amending subsection (d) to read:

"(d) The moneys specified in subsection (b)(1), (3), and (4)[, and (5)] shall be deposited in the special land and development fund under section 171-19 for the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department[, provided that the moneys specified in subsection (b)(5) shall be expended for the management, maintenance, and development of trails and access areas frequented by visitors in response to a master plan developed in coordination with the Hawaii tourism authority]."  

SECTION 5. Section 199-1.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) The following shall be deposited into the conservation and resources enforcement special fund:

(1) Grants, awards, donations, gifts, transfers, or moneys derived from public or private sources for the purposes of enforcing the provisions of title 12; chapters 6D, 6E, and 6K; or any rule adopted thereunder;"
(2) Fees, reimbursements, administrative charges, and penalties collected for activities related to the enforcement of natural, cultural, and historic resources protection laws and rules, except as otherwise provided by law that provides for deposits into other special funds administered by the department;

(3) Moneys derived from interest, dividends, or other income from the above-mentioned sources; [and]

(4) Appropriations by the legislature to the special fund[...]; and

(5) Transient accommodations tax revenue pursuant to section 171-19(a)(2)."

SECTION 6. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

(1) $33,000,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;
(2) $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

(B) Of the $82,000,000 allocated:

(i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum
authorized by the legislature for expenditure from revenues subject to this paragraph, beginning July 1, 2007, funds shall be deposited into the tourism emergency trust fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000 in the tourism emergency trust fund;

(3) $93,000,000 shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that commencing with fiscal year 2018-2019, a sum that represents the difference between a county public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the county public employer's contributions into that trust fund shall be retained by the state director of finance and deposited to the credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42, if the respective county fails to
remit the total amount of the county's required annual contributions, as required under section 87A-43; and

(4) [Of the excess revenues deposited into the general fund pursuant to this subsection,] $3,000,000 shall be allocated to the special land and development fund established in section 171-19 subject to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan for:

(A) The protection, preservation, and enhancement of natural resources important to the visitor industry;

(B) Planning, construction, and repair of facilities; and

(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.
As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect upon its approval.
Report Title:
 transient accommodations tax; special land and development fund; beach restoration special fund; state parks special fund

Description:
 specifies the distribution and allowable uses, subject to agreement between the hawaii tourism authority and the board of land and natural resources, of transient accommodations tax funds allocated to the special land and development fund for resource and facilities management costs related to hawaii tourism authority's strategic plan. (HB2434 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
A BILL FOR AN ACT

RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 171-19, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is created in the department a special fund to be designated as the "special land and development fund". Subject to the Hawaiian Homes Commission Act of 1920, as amended, and section 5(f) of the Admission Act of 1959, all proceeds of sale of public lands, including interest on deferred payments; all moneys collected under section 171-58 for mineral and water rights; all rents from leases, licenses, and permits derived from public lands; all moneys collected from lessees of public lands within industrial parks; all fees, fines, and other administrative charges collected under this chapter and chapter 183C; a portion of the highway fuel tax collected under chapter 243; all moneys collected by the department for the commercial use of public trails and trail accesses under the jurisdiction of the department; transient accommodations tax revenues collected pursuant to section [237D-6.5(b)(2)] 237D-6.5(b)(4); and private contributions for the management, maintenance, and
development of trails and accesses shall be set apart in the fund and shall be used only as authorized by the legislature for the following purposes:

(1) To reimburse the general fund of the State for advances made that are required to be reimbursed from the proceeds derived from sales, leases, licenses, or permits of public lands;

(2) For the planning, development, management, operations, or maintenance of all lands and improvements under the control and management of the board pursuant to title 12, including but not limited to permanent or temporary staff positions who may be appointed without regard to chapter 76; provided that transient accommodations tax revenues allocated pursuant to section 237D-6.5(b)(4) shall only be allocated and expended according to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan as provided in section 237D-6.5(b)(4);

(3) To repurchase any land, including improvements, in the exercise by the board of any right of repurchase
specifically reserved in any patent, deed, lease, or
other documents or as provided by law;

(4) For the payment of all appraisal fees; provided that
all fees reimbursed to the board shall be deposited in
the fund;

(5) For the payment of publication notices as required
under this chapter; provided that all or a portion of
the expenditures may be charged to the purchaser or
lessee of public lands or any interest therein under
rules adopted by the board;

(6) For the management, maintenance, and development of
trails and trail accesses under the jurisdiction of
the department;

(7) For the payment to private land developers who have
contracted with the board for development of public
lands under section 171-60;

(8) For the payment of debt service on revenue bonds
issued by the department, and the establishment of
debt service and other reserves deemed necessary by
the board;

(9) To reimburse the general fund for debt service on
general obligation bonds issued to finance
departmental projects, where the bonds are designated
to be reimbursed from the special land and development
fund;
(10) For the protection, planning, management, and
regulation of water resources under chapter 174C; and
(11) For other purposes of this chapter."

SECTION 2. Section 171-156, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:
"(a) There is established in the state treasury a special
fund to be designated as the "beach restoration special fund" to
carry out the purposes of this part. The following moneys shall
be deposited into the beach restoration special fund:
(1) Proceeds from the lease or development of public
coastal lands designated pursuant to a beach
restoration plan, subject to the Hawaiian Homes
Commission Act of 1920, as amended, and section 5(f)
of the Admission Act of 1959;
(2) Proceeds from the lease of public lands pursuant to
this part for an existing seawall or revetment;
(3) Fines collected for unauthorized shoreline structures
on state submerged land or conservation district land;
(4) Appropriations made by the legislature for deposit into this fund;

(5) Donations and contributions made by private individuals or organizations for deposit into this fund;

(6) Fees collected for the processing of applications for coastal and beach erosion control projects; [and]

(7) Grants provided by governmental agencies or any other source[+]; and

(8) Funds allocated from the transient accommodations tax revenues pursuant to section 171-19(a)(2)."

SECTION 3. Section 184-3.4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is established within the state treasury a fund to be known as the state parks special fund, into which shall be deposited:

(1) All proceeds collected by the state parks programs involving park user fees, any leases or concession agreements, the sale of any article purchased from the department to benefit the state parks programs, or any gifts or contributions; provided that proceeds derived from the operation of Iolani Palace shall be used to
supplement its educational and interpretive programs;
and
(2) Transient accommodations tax revenues pursuant to
section [237D-6.5; provided that these moneys shall be
expended in response to a master plan developed in
coordination with the Hawaii tourism authority.] 171-
19(a)(2)."

SECTION 4. Section 198D-2, Hawaii Revised Statutes, is
amended as follows:

1. By amending subsection (b) to read:
"(b) The trail and access program shall use funding for
the management, maintenance, and development of trails and trail
accesses under the jurisdiction of the department from the
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chapter 243;
(2) Federal government grants;
(3) Private contributions;
(4) Fees, established pursuant to administrative rules and
charged by the department for the commercial and other
use of trails and trail accesses under the
jurisdiction of the department; and
(5) Transient accommodations tax revenues pursuant to section [237D-6.5.] 171-19(a)(2)."

2. By amending subsection (d) to read:

"(d) The moneys specified in subsection (b)(1), (3), and (4)[, and (5)] shall be deposited in the special land and development fund under section 171-19 for the management, maintenance, and development of trails and trail accesses under the jurisdiction of the department[; provided that the moneys specified in subsection (b)(5) shall be expended for the management, maintenance, and development of trails and access areas frequented by visitors in response to a master plan developed in coordination with the Hawaii tourism authority]."

SECTION 5. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

(1) $33,000,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

(2) $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:
(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

(B) Of the $82,000,000 allocated:
   (i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Hawaii convention center; and
   (ii) 0.5 per cent of the $82,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph,
beginning July 1, 2007, funds shall be deposited into the tourism emergency trust fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000 in the tourism emergency trust fund;

(3) $93,000,000 shall be allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that commencing with fiscal year 2018-2019, a sum that represents the difference between a county public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the county public employer's contributions into that trust fund shall be retained by the state director of finance and deposited to the credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42, if the respective county fails to remit the total amount of the county's required annual contributions, as required under section 87A-43; and
(4) [Of the excess revenues deposited into the general fund pursuant to this subsection.] $3,000,000 shall be allocated to the special land and development fund established in section 171-19 subject to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan for:

(A) The protection, preservation, and enhancement of natural resources important to the visitor industry;

(B) Planning, construction, and repair of facilities; and

(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.

As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."
SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2014.

INTRODUCED BY:

[Signatures]

2014-0711 HB SMA.doc

JAN 22 2014
Report Title:
Transient Accommodations Tax; Special Land and Development Fund; Beach Restoration Special Fund; State Parks Special Fund

Description:
Allocates $3,000,000 of the transient accommodations tax revenues to the special land and development fund, rather than the general fund, for the protection, improvement, and construction of natural resources and facilities associated with the visitor experience.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Measure Title: RELATING TO THE TRANSIENT ACCOMMODATIONS TAX.

Report Title: Transient Accommodations Tax Revenues; Turtle Bay Conservation Easement

Description: Establishes a method to use transient accommodations tax revenues to pay the debt service on revenue bonds issued by the Hawaii tourism authority to acquire a conservation easement in Turtle Bay, Oahu. (CD1)

Companion: SB2430

Package: None

Current Referral: TSM/WTL, WAM

Introducer(s): BROWER, AQUINO, AWANA, CACHOLA, CARROLL, EVANS, HANOHANO, HASHEM, ICHIYAMA, KOBAYASHI, MCKELVEY, MIZUNO, MORIKAWA, NAKASHIMA, OHNO, TAKAYAMA, TAKUMI, YAMASHITA

<table>
<thead>
<tr>
<th>Sort by Date</th>
<th>Status Text</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/22/2014</td>
<td>H Pending introduction.</td>
</tr>
<tr>
<td>1/23/2014</td>
<td>H Introduced and Pass First Reading.</td>
</tr>
<tr>
<td>1/27/2014</td>
<td>H Referred to TOU, FIN, referral sheet 7</td>
</tr>
<tr>
<td>1/29/2014</td>
<td>H Bill scheduled to be heard by TOU on Monday, 02-03-14 9:30AM in House conference room 312.</td>
</tr>
<tr>
<td>2/3/2014</td>
<td>H The committees on TOU recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 8 Ayes: Representative(s) Brower, Cachola, Awana, Choy, Ohno, Tokioka, Tsuji, Ward; Ayes with reservations: none; Noes: none; and 2 Excused: Representative(s) Onishi, Takai.</td>
</tr>
<tr>
<td>2/13/2014</td>
<td>H Reported from TOU (Stand. Com. Rep. No. 392-14) as amended in HD 1, recommending passage on Second Reading and referral to FIN.</td>
</tr>
<tr>
<td>2/13/2014</td>
<td>H Passed Second Reading as amended in HD 1 and referred to the committee(s) on FIN with none voting aye with reservations; none voting no (0) and Representative(s) Awana, Cachola, Carroll, Takumi excused (4).</td>
</tr>
<tr>
<td>2/21/2014</td>
<td>H Bill scheduled to be heard by FIN on Tuesday, 02-25-14 11:15AM in House conference room 308.</td>
</tr>
<tr>
<td>2/25/2014</td>
<td>H The committees on FIN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 17 Ayes: Representative(s) Luke, Nishimoto, Johanson, Cullen, Hashem, Ing, Jordan, Kobayashi, Lowen, Morikawa, Onishi, Takayama, Tokioka, Woodson, Yamashita, Fukumoto, Ward; Ayes with reservations: none; Noes: none; and Excused: none.</td>
</tr>
<tr>
<td>2/28/2014</td>
<td>H Forty-eight (48) hours notice Tuesday, 03-04-14.</td>
</tr>
<tr>
<td>3/4/2014</td>
<td>H Passed Third Reading as amended in HD 2 with Representative(s) Hanohano, Har voting aye with reservations; none voting no (0) and Representative(s) Creagan excused (1). Transmitted to Senate.</td>
</tr>
<tr>
<td>3/6/2014</td>
<td>S Received from House (Hse. Com. No. 351).</td>
</tr>
<tr>
<td>3/6/2014</td>
<td>S Passed First Reading.</td>
</tr>
<tr>
<td>3/6/2014</td>
<td>S Referred to TSM/WTL, WAM.</td>
</tr>
<tr>
<td>3/17/2014</td>
<td>S The committee(s) on TSM/WTL has scheduled a public hearing on 03-19-14 2:35PM in conference room 229.</td>
</tr>
<tr>
<td>3/19/2014</td>
<td>S The committee(s) on TSM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in TSM were as follows: 4 Aye(s): Senator(s) Kahele, Keith-Agaran, Ihara, Slom; Aye(s) with reservations: none; 0 No(es): none; and 1 Excused:</td>
</tr>
</tbody>
</table>
The committee(s) on WTL recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WTL were as follows: 7 Aye(s): Senator(s) Solomon, Galuteria, Dela Cruz, Ihara, Shimabukuro, L. Thielen, Slom; Aye(s) with reservations: none; 0 No(es): none; and 2 Excused: Senator(s) Ruderman, Taniguchi.

3/21/2014 S Reported from TSM/WTL (Stand. Com. Rep. No. 3064) with recommendation of passage on Second Reading, as amended (SD 1) and referral to WAM.

3/21/2014 S Report adopted; Passed Second Reading, as amended (SD 1) and referred to WAM.

3/25/2014 S The committee(s) on WAM will hold a public decision making on 03-28-14 9:15AM in conference room 211.

3/28/2014 S The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 12 Aye(s): Senator(s) Ige, Kidani, Dela Cruz, English, Espero, Kahele, Keith-Agaran, Kouchi, Ruderman, L. Thielen, Tokuda, Slom; Aye(s) with reservations: none; 0 No(es): none; and 1 Excused: Senator(s) Chun Oakland.


4/10/2014 H Returned from Senate (Sen. Com. No. 646) in amended form (SD 2).

4/11/2014 S Received notice of disagreement (Hse. Com. No. 676).

4/14/2014 S Senate Conferees Appointed: Kahele Chair; Solomon, Ige Co-Chairs; Keith-Agaran, Slom Members.

4/14/2014 H House Conferees Appointed: Brower, Tokioka Co-Chairs; Evans, Fale Members.


4/14/2014 H Received notice of Senate conferees (Sen. Com. No. 673).

4/25/2014 S Received notice of change in conferees (Hse. Com. No. 725).

4/25/2014 S The Conference committee recommends that the measure be PASSED, WITH AMENDMENTS. The votes of the Senate Conference Managers were as follows: 5 Aye(s): Senator(s) Kahele, Solomon, Ige, Keith-Agaran, Slom; Aye(s) with reservations: none; 0 No(es): none; and 0 Excused: none.

4/25/2014 H Bill scheduled for Conference Committee Meeting on Friday, 04-25-14 5:35PM in conference room 309.

4/25/2014 H The Conference Committee recommends that the measure be Passed, with Amendments. The votes were as follows: 4 Ayes: Representative(s) Brower, Luke, Evans, Fale; Ayes with reservations: none; 0 Noes: none; and 0 Excused: none.


4/25/2014 H Forty-eight (48) hours notice Tuesday, 04-29-14.


4/25/2014 S Passed Final Reading, as amended (CD 1). 25 Aye(s); Aye(s) with reservations: Senator(s) Slom . 0 No(es): none. 0 Excused: none.

4/29/2014 S Deferred one day 05-01-14.

4/30/2014 H Received notice of Final Reading (Sen. Com. No. 720).

5/1/2014 H Passed Final Reading as amended in CD 1 with Representative(s) Fukumoto, Jordan, Kawakami, McDermott, Oshiro, Ward voting aye with reservations; Representative(s) Har, Tokioka voting no (2) and Representative(s) Ito excused (1).
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<thead>
<tr>
<th>Date</th>
<th>Action</th>
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<tr>
<td>5/1/2014</td>
<td>Received notice of passage on</td>
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<td>Final Reading in House</td>
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<td>5/5/2014</td>
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<td>Act 081, on 5/19/2014 (Gov.</td>
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S = Senate  | H = House  | D = Data Systems  | $ = Appropriation measure  | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

HB2434 HD2 SD2 CD1
June 16, 2014

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 16, 2014, the following bill was signed into law:

SB2886 SD1 HD1 RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE
ACT 088 (14)

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to conform Hawaii income tax law to the Internal Revenue Code.

SECTION 2. Section 235-2.3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) For all taxable years beginning after December 31, [2012,] 2013, as used in this chapter, except as provided in section 235-2.35, "Internal Revenue Code" means subtitle A, chapter 1, of the federal Internal Revenue Code of 1986, as amended as of [January 2, 2013,] December 31, 2013, as it applies to the determination of gross income, adjusted gross income, ordinary income and loss, and taxable income, except those provisions of the Internal Revenue Code and federal public laws which, pursuant to this chapter, do not apply or are otherwise limited in application and except for the provisions of Public Law 109-001, which apply to section 170 of the Internal Revenue Code. The provisions of Public Law 109-001 to accelerate the deduction for charitable cash contributions for
the relief of victims of the 2004 Indian Ocean tsunami are applicable for the calendar year that ended December 31, 2004, and the calendar year ending December 31, 2005.

Sections 235-2, 235-2.1, and 235-2.2 shall continue to be used to determine:

(1) The basis of property, if a taxpayer first determined the basis of property in a taxable year to which [such] these sections apply, and if [such] the determination was made before January 1, 1978; and

(2) Gross income, adjusted gross income, ordinary income and loss, and taxable income for a taxable year to which [such] these sections apply where [such] the taxable year begins before January 1, 1978."

SECTION 3. Section 235-2.4, Hawaii Revised Statutes, is amended as follows:

1. By amending subsections (a) and (b) to read:

"(a) Section 63 (with respect to taxable income defined) of the Internal Revenue Code shall be operative for the purposes of this chapter, subject to the following:

(1) [Sections] Section 63(c)(1)(B) (relating to the additional standard deduction), 63(c)(1)(C) (relating to the real property tax deduction), 63(c)(1)(D)
(relating to the disaster loss deduction), 63(c)(1)(E)
(relating to the motor vehicle sales tax deduction),
63(c)(4) (relating to inflation adjustments), 63(c)(7)
(defining the real property tax deduction), 63(c)(8)
(defining the disaster loss deduction), 63(c)(9)
(defining the motor vehicle sales tax deduction), and
63(f) (relating to additional amounts for the aged or
blind) of the Internal Revenue Code shall not be
operative for purposes of this chapter;
(2) Section 63(c)(2) (relating to the basic standard
deduction) of the Internal Revenue Code shall be
operative, except that the standard deduction amounts
provided therein shall instead mean:
(A) $4,400 in the case of:
   (i) A joint return as provided by section 235-
   93; or
   (ii) A surviving spouse (as defined in section
   2(a) of the Internal Revenue Code);
(B) $3,212 in the case of a head of household (as
defined in section 2(b) of the Internal Revenue
Code);
(C) $2,200 in the case of an individual who is not married and who is not a surviving spouse or head of household; or
(D) $2,200 in the case of a married individual filing a separate return;

(3) Section 63(c)(5) (limiting the basic standard deduction in the case of certain dependents) of the Internal Revenue Code shall be operative, except that the limitation shall be the greater of $500 or [see] the individual's earned income; and

(4) The standard deduction amount for nonresidents shall be calculated pursuant to section 235-5.

(b) Section 68 (with respect to the overall limitation on itemized deductions) of the Internal Revenue Code shall be operative[, except that sections 68(f) and 68(g) shall not be operative]; provided that the thresholds shall be those that were operative for federal tax year 2009."

2. By amending subsection (g) to read:
"(g) Section 132 (with respect to certain fringe benefits) of the Internal Revenue Code shall be operative for purposes of this chapter, except that the provision in section 132(f)(2) that equalizes the dollar amounts for sections 132(f)(2)(A) and
(B) [after February 17, 2009, until January 1, 2011,] shall not be operative and except that section 132(n) shall not apply to United States Department of Defense Homeowners Assistance Program payments authorized by the American Recovery and Reinvestment Act of 2009."

3. By amending subsections (i) and (j) to read:
"(i) Section 164 (with respect to taxes) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that:

(1) [Sections] Section 164(a)(6) and [164(b)(6)] (b)(6) shall not be operative for the purposes of this chapter; [and]

(2) The deductions under [sections] section 164(a)(3) and [164(b)(5)] (b)(5) shall not be operative for corporate taxpayers and shall be operative only for the following individual taxpayers:

(A) A taxpayer filing a single return or a married person filing separately with a federal adjusted gross income of less than $100,000;

(B) A taxpayer filing as a head of household with a federal adjusted gross income of less than $150,000; and
(C) A taxpayer filing a joint return or as a surviving spouse with a federal adjusted gross income of less than $200,000[7]; and

(3) Section 164(a)(3) shall not be operative for any amounts for which the credit under section 235-55 has been claimed.

(j) Section 165 (with respect to losses) of the Internal Revenue Code shall be operative for purposes of this chapter, except that the amount prescribed by sections 165(h)(1) (relating to the limitation per casualty) of the Internal Revenue Code shall be a $100 limitation per casualty, and

[sections] section 165(h)(3)(A) and [165(h)(3)(B)] (B) (both of which relate to special rules for personal casualty gains and losses in federally declared disasters) of the Internal Revenue Code shall not be operative for the purposes of this chapter.

Section 165 as operative for this chapter shall also apply to losses sustained from the sale of stocks or other interests issued through the exercise of the stock options or warrants granted by a qualified high technology business as defined in section 235-7.3."

4. By amending subsection (1) to read:
"(1) Section 172 (with respect to net operating loss deductions) of the Internal Revenue Code shall be operative for purposes of this chapter, as further provided in section 235-7(d), except that [sections] section 172(b)(1)(J) and [172(j)] (j) (both of which relate to qualified disaster losses) of the Internal Revenue Code shall not be operative for purposes of this chapter."

5. By amending subsection (q) to read:

"(q) Section 265 (with respect to expenses and interest relating to tax-exempt income) of the Internal Revenue Code shall be operative for purposes of this chapter; except that [sections] section 265(b)(3)(G) and [265(b)(7)] (7) shall not be operative and [that] section 265 shall not apply to expenses for royalties and other income derived from any patents, copyrights, and trade secrets by an individual or a qualified high technology business as defined in section 235-7.3. Such expenses shall be deductible."

6. By amending subsections (t) and (u) to read:

"(t) In administering the provisions of sections 410 to 417 (with respect to special rules relating to pensions, profit sharing, stock bonus plans, etc.), sections 418 to 418E (with respect to special rules for multiemployer plans), and sections
419 and 419A (with respect to treatment of welfare benefit funds) of the Internal Revenue Code, the department of taxation shall adopt rules under chapter 91 relating to the specific requirements under [such] those sections and to [such] other administrative requirements under those sections as may be necessary for the efficient administration of sections 410 to 419A.

In administering sections 401 to 419A (with respect to deferred compensation) of the Internal Revenue Code, Public Law 93-406, section 1017(i), shall be operative for the purposes of this chapter.

In administering section 402 (with respect to the taxability of beneficiary of employees' trust) of the Internal Revenue Code, the tax imposed on lump sum distributions by section 402(e) of the Internal Revenue Code shall be operative for the purposes of this chapter and the tax imposed therein is hereby imposed by this chapter at the rate determined under this chapter.

(u) In administering section 403 (with respect to taxation of employee annuities) of the Internal Revenue Code, any funds that represent pre-tax employee deferrals or contributions that are distributed from the annuity and used solely to obtain
retirement credits under the state employees' retirement system shall not be treated as a rollover for purposes of section 403(b)(8)(A) of the Internal Revenue Code, and [such] those funds shall be subject to income tax under this chapter."

7. By amending subsection (w) to read:

"(w) In administering section 457 (with respect to compensation plans of state and local governments and tax-exempt organizations) of the Internal Revenue Code, any funds that represent pre-tax employee deferrals or contributions that are distributed from the deferred compensation plan and used solely to obtain retirement credits under the state employees' retirement system shall not be treated as a rollover for purposes of section 457(e)(16)(A) of the Internal Revenue Code and [such] those funds shall be subject to income tax under this chapter."

8. By amending subsection (dd) to read:

"(dd) Section 530 (with respect to [education individual retirement accounts]) Coverdell education savings accounts) of the Internal Revenue Code shall be operative for the purposes of this chapter. For the purpose of determining the maximum amount that a contributor could make to an education individual retirement account for state income tax purposes, modified
adjusted gross income as used in section 530 as operative for
this chapter means federal modified adjusted gross income as
defined in section 530."

SECTION 4. Section 235-2.45, Hawaii Revised Statutes, is
amended as follows:

1. By amending subsection (e) to read:
"(e) Section 1202 (with respect to partial exclusion for
gain from certain small business stock) of the Internal Revenue
Code shall be operative for purposes of this chapter, except
that section 1202(a)(3) and (4) shall not be operative for
purposes of this chapter."

2. By amending subsection (h) to read:
"(h) Subchapter S (sections 1361 to 1379) (with respect to
tax treatment of S corporations and their shareholders) of
chapter 1 of the Internal Revenue Code shall be operative for
the purposes of this chapter as provided in part VII; except
that [sections] section 1374(d)(7)(B) and [1374(d)(7)(C)](C),
and (D) shall not be operative for purposes of this chapter."

3. By amending subsection (m) to read:
"(m) [Subchapter O- (sections 6221 to 6233)] Sections 6221,
6222, and 6231 (with respect to tax treatment of partnership
items) of subchapter C of chapter 63 of the Internal Revenue Code shall be operative for the purposes of this chapter."

SECTION 5. Section 235-2.5, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) The department of taxation shall submit to each regular session of the legislature a bill to amend sections 235-2.3, 235-2.4, and 235-2.45 and such other sections and subsections of this chapter as may be necessary to adopt the Internal Revenue Code as it exists on [January 2, 2013] the December 31 preceding such regular session. In submitting the bill the department may provide that certain amendments to the Internal Revenue Code by Congress during the preceding calendar year shall not be operative in this State or as operative are limited in their operation. The department shall also prepare a digest and explanation of the amended provisions of the Internal Revenue Code recommended for operation, as well as those provisions [which] that are limited in their operation, or [which] that are not recommended for operation, and shall submit with the bill required by this subsection the digest, explanation, and a statement of revenue impact of the adoption of [such] the bill. In preparing the bill, digest, and
explanation the department may request the assistance of the
office of the legislative reference bureau.

It is the intent of the legislature that it shall each year
adopt all amendments to the Internal Revenue Code for the
calendar year preceding the year in which the legislature meets;
provided that the legislature may choose to adopt none of the
amendments to the Internal Revenue Code or may provide that
certain amendments are limited in their operation."

SECTION 6. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect upon its approval
and shall apply to taxable years beginning after December 31,
2013.

APPROVED this 16 day of JUN, 2014

GOVERNOR OF THE STATE OF HAWAII
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2886, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE,"

begs leave to report as follows:

The purpose of this measure is to:

(1) Conform State income tax law with amendments made to the Internal Revenue Code as of December 31, 2013; and

(2) Clarify existing State income tax law through housekeeping and other conforming amendments.

The Department of Taxation and Tax Foundation of Hawaii provided comments on this measure.

Your Committee has amended this measure by making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2886, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2886, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.
Respectfully submitted on behalf of the members of the Committee on Finance,

[Signature]

SYLVIA LUKE, Chair
Record of Votes of the Committee on Finance

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<tr>
<td>SE2886, SD1</td>
<td>FIN</td>
<td>3/27/2014</td>
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☐ The committee is reconsidering its previous decision on the measure.

The recommendation is to: ☐ Pass, unamended (as is) ☒ Pass, with amendments (HD) ☐ Hold
☐ Pass short form bill with HD to recommit for future public hearing (recommit)

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<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
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<td>1. LUKE, Sylvia (C)</td>
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<td>4. CULLEN, Ty J.K.</td>
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<td>17. WARD, Gene</td>
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TOTAL (17) 12 2 3

The recommendation is: ☒ Adopted ☐ Not Adopted

If joint referral, committee acronym(s) did not support recommendation.

Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2886 entitled:

"A BILL FOR AN ACT RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE,"

begs leave to report as follows:

The purpose and intent of this measure is update state income tax law to conform to changes made to the Internal Revenue Code in calendar year 2013.

The Department of Taxation provided testimony in support of this measure. The Tax Foundation of Hawaii provided comments on this measure.

Your Committee finds that this measure is the annual tax conformity bill submitted by the Department of Taxation pursuant to section 235-2.5, Hawaii Revised Statutes, to maintain state income tax conformity with the federal Internal Revenue Code by adopting changes made during the previous year that are appropriate for Hawaii law.

Your Committee has amended this measure by:

(1) Removing language intended to disallow a deduction under section 275 of the Internal Revenue Code if a taxpayer has taken the credit allowed under section 235-55, Hawaii Revised Statutes;
(2) Adding language to disallow the deduction under section 164(a)(3) of the Internal Revenue Code for amounts for which the credit under section 235-55, Hawaii Revised Statutes, has been claimed; and

(3) 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. 2886, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2886, 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,

[Signature]

DAVID Y. IGE, Chair
Bill / Resolution No.: SB 2886
Committee Referral: WAM
Date: 2-5-14

The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to:

The Recommendation is:
- [ ] Pass, unamended
- [x] Pass, with amendments
- [ ] Hold
- [ ] Recommit

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<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
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<td>SLOM, Sam</td>
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Members Aye/Not Aye

Recommendation:
- [ ] Adopted
- [ ] Not Adopted

Chair's or Designee's Signature: [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*
THE SENATE
TWENTY-SEVENTH LEGISLATURE, 2014
STATE OF HAWAII
S.B. NO. 2886
S.D. 1

A BILL FOR AN ACT

RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to conform Hawaii income tax law to the Internal Revenue Code.

SECTION 2. Section 235-2.3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) For all taxable years beginning after December 31, [2012,] 2013, as used in this chapter, except as provided in section 235-2.35, "Internal Revenue Code" means subtitle A, chapter 1, of the federal Internal Revenue Code of 1986, as amended as of [January 2, 2013,] December 31, 2013, as it applies to the determination of gross income, adjusted gross income, ordinary income and loss, and taxable income, except those provisions of the Internal Revenue Code and federal public laws which, pursuant to this chapter, do not apply or are otherwise limited in application and except for the provisions of Public Law 109-001, which apply to section 170 of the Internal Revenue Code. The provisions of Public Law 109-001 to accelerate the deduction for charitable cash contributions for..."
the relief of victims of the 2004 Indian Ocean tsunami are applicable for the calendar year that ended December 31, 2004, and the calendar year ending December 31, 2005.

Sections 235-2, 235-2.1, and 235-2.2 shall continue to be used to determine:

1. The basis of property, if a taxpayer first determined the basis of property in a taxable year to which these sections apply, and if the determination was made before January 1, 1978; and
2. Gross income, adjusted gross income, ordinary income and loss, and taxable income for a taxable year to which these sections apply where the taxable year begins before January 1, 1978."

SECTION 3. Section 235-2.4, Hawaii Revised Statutes, is amended as follows:

1. By amending subsections (a) and (b) to read:

"(a) Section 63 (with respect to taxable income defined) of the Internal Revenue Code shall be operative for the purposes of this chapter, subject to the following:

1. [Sections] Section 63(c)(1)(B) (relating to the additional standard deduction), 63(c)(1)(C) (relating to the real property tax deduction), 63(c)(1)(D)
(relating to the disaster loss deduction), 63(c)(1)(E)
(relating to the motor vehicle sales tax deduction),
63(c)(4) (relating to inflation adjustments), 63(c)(7)
(defining the real property tax deduction), 63(c)(8)
(defining the disaster loss deduction), 63(c)(9)
(defining the motor vehicle sales tax deduction), and
63(f) (relating to additional amounts for the aged or
blind) of the Internal Revenue Code shall not be
operative for purposes of this chapter;
(2) Section 63(c)(2) (relating to the basic standard
deduction) of the Internal Revenue Code shall be
operative, except that the standard deduction amounts
provided therein shall instead mean:
(A) $4,400 in the case of:
    (i) A joint return as provided by section 235-
    93; or
    (ii) A surviving spouse (as defined in section
    2(a) of the Internal Revenue Code);
(B) $3,212 in the case of a head of household (as
defined in section 2(b) of the Internal Revenue
Code);
(C) $2,200 in the case of an individual who is not married and who is not a surviving spouse or head of household; or

(D) $2,200 in the case of a married individual filing a separate return;

(3) Section 63(c)(5) (limiting the basic standard deduction in the case of certain dependents) of the Internal Revenue Code shall be operative, except that the limitation shall be the greater of $500 or the individual's earned income; and

(4) The standard deduction amount for nonresidents shall be calculated pursuant to section 235-5.

(b) Section 68 (with respect to the overall limitation on itemized deductions) of the Internal Revenue Code shall be operative, except that sections 68(f) and 68(g) shall not be operative; provided that the thresholds shall be those that were operative for federal tax year 2009."

2. By amending subsection (g) to read:

"(g) Section 132 (with respect to certain fringe benefits) of the Internal Revenue Code shall be operative for purposes of this chapter, except that the provision in section 132(f)(2) that equalizes the dollar amounts for sections 132(f)(2)(A) and
(B) [after February 17, 2009, until January 1, 2011,] shall not be operative and except that section 132(n) shall not apply to United States Department of Defense Homeowners Assistance Program payments authorized by the American Recovery and Reinvestment Act of 2009."

3. By amending subsections (i) and (j) to read:

"(i) Section 164 (with respect to taxes) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that:

(1) Section 164(a)(6) and [164(b)(6)] shall not be operative for the purposes of this chapter; [and]

(2) The deductions under [sections] section 164(a)(3) and [164(b)(5)] shall not be operative for corporate taxpayers and shall be operative only for the following individual taxpayers:

(A) A taxpayer filing a single return or a married person filing separately with a federal adjusted gross income of less than $100,000;

(B) A taxpayer filing as a head of household with a federal adjusted gross income of less than $150,000; and
(C) A taxpayer filing a joint return or as a surviving spouse with a federal adjusted gross income of less than $200,000; and

(3) Section 164(a)(3) shall not be operative for any amounts for which the credit under section 235-55 has been claimed.

(j) Section 165 (with respect to losses) of the Internal Revenue Code shall be operative for purposes of this chapter, except that the amount prescribed by sections 165(h)(1) (relating to the limitation per casualty) of the Internal Revenue Code shall be a $100 limitation per casualty, and [sections] section 165(h)(3)(A) and [165(h)-(3)-(B)] (B) (both of which relate to special rules for personal casualty gains and losses in federally declared disasters) of the Internal Revenue Code shall not be operative for the purposes of this chapter.

Section 165 as operative for this chapter shall also apply to losses sustained from the sale of stocks or other interests issued through the exercise of the stock options or warrants granted by a qualified high technology business as defined in section 235-7.3."

4. By amending subsection (1) to read:
"(1) Section 172 (with respect to net operating loss deductions) of the Internal Revenue Code shall be operative for purposes of this chapter, as further provided in section 235-7(d), except that [sections] section 172(b)(1)(J) and [172(j)] (j) (both of which relate to qualified disaster losses) of the Internal Revenue Code shall not be operative for purposes of this chapter."

5. By amending subsection (q) to read:

"(q) Section 265 (with respect to expenses and interest relating to tax-exempt income) of the Internal Revenue Code shall be operative for purposes of this chapter; except that [sections] section 265(b)(3)(G) and [265(b)(7)] (7) shall not be operative and [that] section 265 shall not apply to expenses for royalties and other income derived from any patents, copyrights, and trade secrets by an individual or a qualified high technology business as defined in section 235-7.3. Such expenses shall be deductible."

6. By amending subsections (t) and (u) to read:

"(t) In administering the provisions of sections 410 to 417 (with respect to special rules relating to pensions, profit sharing, stock bonus plans, etc.), sections 418 to 418E (with respect to special rules for multiemployer plans), and sections
419 and 419A (with respect to treatment of welfare benefit
funds) of the Internal Revenue Code, the department of taxation
shall adopt rules under chapter 91 relating to the specific
requirements under those sections and to other
administrative requirements under those sections as may be
necessary for the efficient administration of sections 410 to
419A.

In administering sections 401 to 419A (with respect to
deferred compensation) of the Internal Revenue Code, Public Law
93-406, section 1017(i), shall be operative for the purposes of
this chapter.

In administering section 402 (with respect to the
taxability of beneficiary of employees' trust) of the Internal
Revenue Code, the tax imposed on lump sum distributions by
section 402(e) of the Internal Revenue Code shall be operative
for the purposes of this chapter and the tax imposed therein is
hereby imposed by this chapter at the rate determined under this
chapter.

(u) In administering section 403 (with respect to taxation
of employee annuities) of the Internal Revenue Code, any funds
that represent pre-tax employee deferrals or contributions that
are distributed from the annuity and used solely to obtain
retirement credits under the state employees' retirement system shall not be treated as a rollover for purposes of section 403(b)(8)(A) of the Internal Revenue Code, and [such] those funds shall be subject to income tax under this chapter."

7. By amending subsection (w) to read:
"(w) In administering section 457 (with respect to compensation plans of state and local governments and tax-exempt organizations) of the Internal Revenue Code, any funds that represent pre-tax employee deferrals or contributions that are distributed from the deferred compensation plan and used solely to obtain retirement credits under the state employees' retirement system shall not be treated as a rollover for purposes of section 457(e)(16)(A) of the Internal Revenue Code and [such] those funds shall be subject to income tax under this chapter."

8. By amending subsection (dd) to read:
"(dd) Section 530 (with respect to [education individual retirement accounts]) Coverdell education savings accounts) of the Internal Revenue Code shall be operative for the purposes of this chapter. For the purpose of determining the maximum amount that a contributor could make to an education individual retirement account for state income tax purposes, modified
adjusted gross income as used in section 530 as operative for this chapter means federal modified adjusted gross income as defined in section 530."

SECTION 4. Section 235-2.45, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

"(e) Section 1202 (with respect to partial exclusion for gain from certain small business stock) of the Internal Revenue Code shall be operative for purposes of this chapter, except that section 1202(a)(3) and (4) shall not be operative for purposes of this chapter."

SECTION 5. Section 235-2.45, Hawaii Revised Statutes, is amended by amending subsection (h) to read as follows:

"(h) Subchapter S (sections 1361 to 1379) (with respect to tax treatment of S corporations and their shareholders) of chapter 1 of the Internal Revenue Code shall be operative for the purposes of this chapter as provided in part VII; except that [sections] section 1374(d)(7)(B) [and 1374(d)(7)(C), (C), and (D) shall not be operative for purposes of this chapter."

SECTION 6. Section 235-2.45, Hawaii Revised Statutes, is amended by amending subsection (m) to read as follows:

"(m) [Subchapter C (sections 6221 to 6233)] Sections 6221, 6222, and 6231 (with respect to tax treatment of partnership
items) of subchapter C of chapter 63 of the Internal Revenue Code shall be operative for the purposes of this chapter."

SECTION 7. Section 235-2.5, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

"(c) The department of taxation shall submit to each regular session of the legislature a bill to amend sections 235-2.3, 235-2.4, and 235-2.45 and such other sections and subsections of this chapter as may be necessary to adopt the Internal Revenue Code as it exists on [January 1, 2013.] the December 31 preceding such regular session. In submitting the bill the department may provide that certain amendments to the Internal Revenue Code by Congress during the preceding calendar year shall not be operative in this State or as operative are limited in their operation. The department shall also prepare a digest and explanation of the amended provisions of the Internal Revenue Code recommended for operation, as well as those provisions [which] that are limited in their operation, or [which] that are not recommended for operation, and shall submit with the bill required by this subsection the digest, explanation, and a statement of revenue impact of the adoption of [such] the bill. In preparing the bill, digest, and
explanation the department may request the assistance of the
office of the legislative reference bureau.

It is the intent of the legislature that it shall each year
adopt all amendments to the Internal Revenue Code for the
calendar year preceding the year in which the legislature meets;
provided that the legislature may choose to adopt none of the
amendments to the Internal Revenue Code or may provide that
certain amendments are limited in their operation."

SECTION 8. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect upon its approval
and shall apply to taxable years beginning after December 31,
2013.
Report Title:
Income Tax; Conformity to the Internal Revenue Code for 2013

Description:
Conforms Hawaii income tax law with amendments made to the Internal Revenue Code as of December 31, 2013, and makes various technical amendments. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
A BILL FOR AN ACT

RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to conform Hawaii income tax law to the Internal Revenue Code.

SECTION 2. Section 235-2.3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) For all taxable years beginning after December 31, 2013, as used in this chapter, except as provided in section 235-2.35, "Internal Revenue Code" means subtitle A, chapter 1, of the federal Internal Revenue Code of 1986, as amended as of December 31, 2013, as it applies to the determination of gross income, adjusted gross income, ordinary income and loss, and taxable income, except those provisions of the Internal Revenue Code and federal public laws which, pursuant to this chapter, do not apply or are otherwise limited in application and except for the provisions of Public Law 109-001 which apply to section 170 of the Internal Revenue Code. The provisions of Public Law 109-001 to accelerate the deduction for charitable cash contributions for the relief of victims of the 2004 Indian Ocean tsunami are
applicable for the calendar year that ended December 31, 2004,
and the calendar year ending December 31, 2005.

Sections 235-2, 235-2.1, and 235-2.2 shall continue to be
used to determine:

(1) The basis of property, if a taxpayer first determined
the basis of property in a taxable year to which such
sections apply, and if such determination was made
before January 1, 1978; and

(2) Gross income, adjusted gross income, ordinary income
and loss, and taxable income for a taxable year to
which such sections apply where such taxable year
begins before January 1, 1978."

SECTION 3. Section 235-2.4, Hawaii Revised Statutes, is
amended to read as follows:

"§235-2.4 Operation of certain Internal Revenue Code
provisions; sections 63 to 530. (a) Section 63 (with respect
to taxable income defined) of the Internal Revenue Code shall be
operative for the purposes of this chapter, subject to the
following:

(1) [Sections] Section 63(c)(1)(B) (relating to the
additional standard deduction), 63(c)(1)(C) (relating
to the real property tax deduction), 63(c)(1)(D)
(relating to the disaster loss deduction), 63(c)(1)(E) (relating to the motor vehicle sales tax deduction), 63(c)(4) (relating to inflation adjustments), 63(c)(7) (defining the real property tax deduction), 63(c)(8) (defining the disaster loss deduction), 63(c)(9) (defining the motor vehicle sales tax deduction), and 63(f) (relating to additional amounts for the aged or blind) of the Internal Revenue Code shall not be operative for purposes of this chapter;

(2) Section 63(c)(2) (relating to the basic standard deduction) of the Internal Revenue Code shall be operative, except that the standard deduction amounts provided therein shall instead mean:

(A) $4,400 in the case of:

(i) A joint return as provided by section 235-93; or

(ii) A surviving spouse (as defined in section 2(a) of the Internal Revenue Code);

(B) $3,212 in the case of a head of household (as defined in section 2(b) of the Internal Revenue Code);
(C) $2,200 in the case of an individual who is not married and who is not a surviving spouse or head of household; or

(D) $2,200 in the case of a married individual filing a separate return;

(3) Section 63(c)(5) (limiting the basic standard deduction in the case of certain dependents) of the Internal Revenue Code shall be operative, except that the limitation shall be the greater of $500 or such individual's earned income; and

(4) The standard deduction amount for nonresidents shall be calculated pursuant to section 235-5.

(b) Section 68 (with respect to the overall limitation on itemized deductions) of the Internal Revenue Code shall be operative, except that sections 68(f) and 68(g) shall not be operative; provided that the thresholds shall be those that were operative for federal tax year 2009.

(c) Section 72 (with respect to annuities; certain proceeds of endowment and life insurance contracts) of the Internal Revenue Code shall be operative for purposes of this chapter and be interpreted with due regard to section 235-7(a), except that the ten per cent additional tax on early
distributions from retirement plans in section 72(t) shall not be operative for purposes of this chapter.

(d) Section 85 (with respect to unemployment compensation) of the Internal Revenue Code shall be operative for purposes of this chapter, except that section 85(c) shall not be operative for purposes of this chapter.

(e) Section 108 (with respect to income from discharge of indebtedness) of the Internal Revenue Code shall be operative for purposes of this chapter, except that section 108(i) (relating to deferral and ratable inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument) shall not be operative for purposes of this chapter.

(f) Section 121 (with respect to exclusion of gain from sale of principal residence) of the Internal Revenue Code shall be operative for purposes of this chapter, except that for the election under section 121(f), a reference to section 1034 treatment means a reference to section 235-2.4(s) in effect for taxable year 1997.

(g) Section 132 (with respect to certain fringe benefits) of the Internal Revenue Code shall be operative for purposes of this chapter, except that the provision in section 132(f)(2)
that equalizes the dollar amounts for sections 132(f)(2)(A) and
(B) [after February 17, 2009, until January 1, 2011,] shall not
be operative and except that section 132(n) shall not apply to
United States Department of Defense Homeowners Assistance
Program payments authorized by the American Recovery and

(h) Section 163 (with respect to interest) of the Internal
Revenue Code shall be operative for the purposes of this
chapter, except that provisions in section 163(d)(4)(B)
defining net investment income to exclude dividends), section
163(e)(5)(F) (suspension of applicable high-yield discount
obligation (AHYDO) rules) and section 163(i)(1) as it applies to
debt instruments issued after January 1, 2010, (defining AHYDO)
shall not be operative for the purposes of this chapter.

(i) Section 164 (with respect to taxes) of the Internal
Revenue Code shall be operative for the purposes of this
chapter, except that:

(1) [Sections] Section 164(a)(6) and [164(b)(6)] (b)(6)
shall not be operative for the purposes of this
chapter; and

(2) The deductions under [sections] section 164(a)(3) and
[164(b)(5)] (b)(5) shall not be operative for
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corporate taxpayers and shall be operative only for
the following individual taxpayers:

(A) A taxpayer filing a single return or a married
person filing separately with a federal adjusted
gross income of less than $100,000;

(B) A taxpayer filing as a head of household with a
federal adjusted gross income of less than
$150,000; and

(C) A taxpayer filing a joint return or as a
surviving spouse with a federal adjusted gross
income of less than $200,000.

(j) Section 165 (with respect to losses) of the Internal
Revenue Code shall be operative for purposes of this chapter,
except that the amount prescribed by sections 165(h)(1)
(relating to the limitation per casualty) of the Internal
Revenue Code shall be a $100 limitation per casualty, and
[sections] section 165(h)(3)(A) and [165(h)(3)-(B)] (both of
which relate to special rules for personal casualty gains and
losses in federally declared disasters) of the Internal Revenue
Code shall not be operative for the purposes of this chapter.
Section 165 as operative for this chapter shall also apply to
losses sustained from the sale of stocks or other interests
issued through the exercise of the stock options or warrants
granted by a qualified high technology business as defined in
section 235-7.3.

(k) Section 168 (with respect to the accelerated cost
recovery system) of the Internal Revenue Code shall be operative
for purposes of this chapter, except that sections 168(j)
(relating to property on Indian reservations), 168(k) (relating
to the special allowance for certain property acquired during
the period specified therein), 168(m) (relating to the special
allowance for certain reuse and recycling property), and 168(n)
(relating to the special allowance for qualified disaster
assistance property) of the Internal Revenue Code shall not be
operative for purposes of this chapter.

(l) Section 172 (with respect to net operating loss
deductions) of the Internal Revenue Code shall be operative for
purposes of this chapter, as further provided in section 235-
7(d), except that [sections] section 172(b)(1)(J) and [172(j)]
(j) (both of which relate to qualified disaster losses) of the
Internal Revenue Code shall not be operative for purposes of
this chapter.

(m) Section 179 (with respect to the election to expense
certain depreciable business assets) of the Internal Revenue
Code shall be operative for purposes of this chapter, except as provided in this subsection:

(1) The aggregate cost provided in section 179(b)(1) which may be taken into account under section 179(a) for any taxable year shall not exceed $25,000;

(2) The amount at which the reduction in limitation provided in section 179(b)(2) begins shall exceed $200,000 for any taxable year; and

(3) The following shall not be operative for purposes of this chapter:

(A) Defining section 179 property to include computer software in section 179(d)(1);

(B) Inflation adjustments in section 179(b)(5);

(C) Irrevocable election in section 179(c)(2); and

(D) Special rules for qualified disaster assistance property in section 179(e).

(n) Section 198A (with respect to the expensing of qualified disaster assistance expenses) of the Internal Revenue Code shall not be operative for purposes of this chapter.

(o) Section 219 (with respect to retirement savings) of the Internal Revenue Code shall be operative for the purpose of this chapter. For the purpose of computing the limitation on
the deduction for active participants in certain pension plans for state income tax purposes, adjusted gross income as used in section 219 as operative for this chapter means federal adjusted gross income.

(p) Section 220 (with respect to medical savings accounts) of the Internal Revenue Code shall be operative for the purpose of this chapter, but only with respect to medical services accounts that have been approved by the Secretary of the Treasury of the United States.

(q) Section 265 (with respect to expenses and interest relating to tax-exempt income) of the Internal Revenue Code shall be operative for purposes of this chapter; except that [sections] section 265(b)(3)(G) and [265(b)(7)] (7) shall not be operative and that section 265 shall not apply to expenses for royalties and other income derived from any patents, copyrights, and trade secrets by an individual or a qualified high technology business as defined in section 235-7.3. Such expenses shall be deductible.

(r) Section 275 (with respect to limitation on deductions for taxes paid) of the Internal Revenue Code shall be operative for purposes of this chapter; except that the disallowance of deduction at section 275(a)(4) shall apply if the taxpayer...
elects to take to any extent the benefits of section 235-55 or
section 901 of the Internal Revenue Code.

Section 382 (with respect to limitation on net operating loss carryforwards and certain built-in losses following ownership change) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that section 382(n) shall not be operative for purposes of this chapter.

Section 408A (with respect to Roth Individual Retirement Accounts) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that section 408A(d)(3)(A)(iii) shall not be operative for purposes of this chapter. For the purposes of determining the aggregate amount of contributions to a Roth Individual Retirement Account or qualified rollover contribution to a Roth Individual Retirement Account from an individual retirement plan other than a Roth Individual Retirement Account, adjusted gross income as used in section 408A as operative for this chapter means federal adjusted gross income.

In administering the provisions of sections 410 to 417 (with respect to special rules relating to pensions, profit sharing, stock bonus plans, etc.), sections 418 to 418E
(with respect to special rules for multiemployer plans), and
sections 419 and 419A (with respect to treatment of welfare
benefit funds) of the Internal Revenue Code, the department of
taxation shall adopt rules under chapter 91 relating to the
specific requirements under such sections and to such other
administrative requirements under those sections as may be
necessary for the efficient administration of sections 410 to
419A.

In administering sections 401 to 419A (with respect to
deferred compensation) of the Internal Revenue Code, Public Law
93-406, section 1017(i), shall be operative for the purposes of
this chapter.

In administering section 402 (with respect to the
taxability of beneficiary of employees' trust) of the Internal
Revenue Code, the tax imposed on lump sum distributions by
section 402(e) of the Internal Revenue Code shall be operative
for the purposes of this chapter and the tax imposed therein is
hereby imposed by this chapter at the rate determined under this
chapter.

In administering section 403 (with respect to
taxation of employee annuities) of the Internal Revenue Code,
any funds that represent pre-tax employee deferrals or
contributions that are distributed from the annuity and used solely to obtain retirement credits under the state employees' retirement system shall not be treated as a rollover for purposes of section 403(b)(8)(A) of the Internal Revenue Code, and such funds shall be subject to income tax under this chapter.

Section 451 (which provides general rules for taxable year of inclusion) of the Internal Revenue Code shall be operative, except that the provisions of sections 451(i)(3) and 451(i)(6), as they relate to a qualified electric utility, shall not be operative for purposes of this chapter.

In administering section 457 (with respect to compensation plans of state and local governments and tax-exempt organizations) of the Internal Revenue Code, any funds that represent pre-tax employee deferrals or contributions that are distributed from the deferred compensation plan and used solely to obtain retirement credits under the state employees' retirement system shall not be treated as a rollover for purposes of section 457(e)(16)(A) of the Internal Revenue Code and such funds shall be subject to income tax under this chapter.
Section 468B (with respect to special rules for designated settlement funds) of the Internal Revenue Code shall be operative for the purposes of this chapter and the tax imposed therein is hereby imposed by this chapter at a rate equal to the maximum rate in effect for the taxable year imposed on estates and trusts under section 235-51.

Section 469 (with respect to passive activities and credits limited) of the Internal Revenue Code shall be operative for the purposes of this chapter. For the purpose of computing the offset for rental real estate activities for state income tax purposes, adjusted gross income as used in section 469 as operative for this chapter means federal adjusted gross income.

Sections 512 to 514 (with respect to taxation of business income of certain exempt organizations) of the Internal Revenue Code shall be operative for the purposes of this chapter as provided in this subsection.

"Unrelated business taxable income" means the same as in the Internal Revenue Code, except that in the computation thereof sections 235-3 to 235-5, and 235-7 (except subsection (c)), shall apply, and in the determination of the net operating loss deduction there shall not be taken into account any amount
of income or deduction that is excluded in computing the
unrelated business taxable income. Unrelated business taxable
income shall not include any income from a legal service plan.

For a person described in section 401 or 501 of the
Internal Revenue Code, as modified by section 235-2.3, the tax
imposed by section 235-51 or 235-71 shall be imposed upon the
person's unrelated business taxable income.

[(aa)] (bb) Section 521 (with respect to cooperatives) and
subchapter T (sections 1381 to 1388, with respect to
cooperatives and their patrons) of the Internal Revenue Code
shall be operative for the purposes of this chapter as to any
cooperative fully meeting the requirements of section 421-23,
except that Internal Revenue Code section 521 cooperatives need
not be organized in Hawaii.

[(bb)] (cc) Sections 527 (with respect to political
organizations) and 528 (with respect to certain homeowners
associations) of the Internal Revenue Code shall be operative
for the purposes of this chapter and the taxes imposed in each
section are hereby imposed by this chapter at the rates
determined under section 235-71.

[(ee)] (dd) Section 529 (with respect to qualified tuition
programs) shall be operative for the purposes of this chapter,
except that sections 529(c)(6) and 529(e)(3)(A)(iii) shall not be operative.

[(ee)] Section 530 (with respect to [education individual retirement accounts]) Coverdell education savings accounts] of the Internal Revenue Code shall be operative for the purposes of this chapter. For the purpose of determining the maximum amount that a contributor could make to an education individual retirement account for state income tax purposes, modified adjusted gross income as used in section 530 as operative for this chapter means federal modified adjusted gross income as defined in section 530."

SECTION 4. Section 235-2.45, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

"(e) Section 1202 (with respect to partial exclusion for gain from certain small business stock) of the Internal Revenue Code shall be operative for purposes of this chapter, except that section 1202(a)(3) and (4) shall not be operative for purposes of this chapter."

SECTION 5. Section 235-2.45, Hawaii Revised Statutes, is amended by amending subsection (h) to read as follows:

"(h) Subchapter S (sections 1361 to 1379) (with respect to tax treatment of S corporations and their shareholders) of
chapter 1 of the Internal Revenue Code shall be operative for
the purposes of this chapter as provided in part VII; except
that [sections] section 1374(d)(7)(B) [and 1374(d)(7)(C)] , (C),
and (D) shall not be operative for purposes of this chapter."

SECTION 6. Section 235-2.45, Hawaii Revised Statutes, is
amended by amending subsection (m) to read as follows:

"(m) [Subchapter C (sections 6221 to 6233)] Sections 6221,
6222, and 6231 (with respect to tax treatment of partnership
items) of subchapter C of chapter 63 of the Internal Revenue
Code shall be operative for the purposes of this chapter."

SECTION 7. Section 235-2.5, Hawaii Revised Statutes, is
amended by amending subsection (c) to read as follows:

"(c) The department of taxation shall submit to each
regular session of the legislature a bill to amend sections 235-
2.3, 235-2.4, and 235-2.45 and such other sections and
subsections of this chapter as may be necessary to adopt the
Internal Revenue Code as it exists on [January 2, 2013.] the
December 31 preceding such regular session. In submitting the
bill the department may provide that certain amendments to the
Internal Revenue Code by Congress during the preceding calendar
year shall not be operative in this State or as operative are
limited in their operation. The department shall also prepare a
digest and explanation of the amended provisions of the Internal Revenue Code recommended for operation, as well as those provisions which are limited in their operation, or which are not recommended for operation, and shall submit with the bill required by this subsection the digest, explanation, and a statement of revenue impact of the adoption of such bill. In preparing the bill, digest, and explanation the department may request the assistance of the office of the legislative reference bureau.

It is the intent of the legislature that it shall each year adopt all amendments to the Internal Revenue Code for the calendar year preceding the year in which the legislature meets; provided that the legislature may choose to adopt none of the amendments to the Internal Revenue Code or may provide that certain amendments are limited in their operation."

SECTION 8. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.
SECTION 9. This Act shall take effect upon its approval and shall apply to taxable years beginning after December 31, 2013.

INTRODUCED BY:

BY REQUEST
Report Title:
Income Tax; Conformity to the Internal Revenue Code for 2013

Description:
Conforms Hawaii income tax law with amendments made to the Internal Revenue Code as of December 31, 2013, and makes various technical amendments.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE.

PURPOSE: To amend Hawaii's income tax law to conform with changes to the Internal Revenue Code made in calendar year 2013.

MEANS: Amend sections 235-2.3(a), 235-2.4, 235-2.45(e), (h), and (m), and 235-2.5(c), Hawaii Revised Statutes (HRS).

JUSTIFICATION: Section 235-2.5(c), HRS, mandates that the Department of Taxation submit to each regular session of the Legislature a bill that amends Hawaii's income tax law to conform to changes in the Internal Revenue Code. This bill amends section 235-2.3(a), HRS, by changing the date from 2012 to 2013 to reflect tax law changes made in the 2013 calendar year.

Impact on the public: Conformity through amendments to the operative provisions of the Internal Revenue Code will minimize the burden on taxpayers to comply with the requirements of Hawaii's income tax law.

Impact on the department and other agencies: Conforming Hawaii's income tax law to that of the Internal Revenue Code will increase consistency between the state and federal jurisdictions.

GENERAL FUND: Pending.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: None.
OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval.
**SB2886 SD1 HD1**

**Measure Title:** RELATING TO CONFORMITY OF THE HAWAII INCOME TAX LAW TO THE INTERNAL REVENUE CODE.

**Report Title:** Income Tax; Conformity to the Internal Revenue Code for 2013

**Description:** Conforms Hawaii income tax law with amendments made to the Internal Revenue Code as of December 31, 2013, and makes various technical amendments. (SB2886 HD1)

**Companion:** HB2336

**Package:** Governor

**Current Referral:** FIN

**Introducer(s):** KIM (Introduced by request of another party)

<table>
<thead>
<tr>
<th>Date</th>
<th>Status Text</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/23/2014</td>
<td>Introduced.</td>
</tr>
<tr>
<td>1/23/2014</td>
<td>Passed First Reading.</td>
</tr>
<tr>
<td>1/23/2014</td>
<td>Referred to WAM.</td>
</tr>
<tr>
<td>1/24/2014</td>
<td>The committee(s) on WAM has scheduled a public hearing on 01-30-14 9:00AM in conference room 211.</td>
</tr>
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</tr>
<tr>
<td>2/5/2014</td>
<td>The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 11 Aye(s): Senator(s) Ige, Kidani, Chun Oakland, English, Espero, Kahele, Keith-Agaran, Kouchi, Ruderman, L. Thielen, Tokuda; Aye(s) with reservations: none ; 1 No(es): Senator(s) Slom; and 1 Excused: Senator(s) Dela Cruz.</td>
</tr>
<tr>
<td>2/28/2014</td>
<td>Reported from WAM (Stand. Com. Rep. No. 2540) with recommendation of passage on Second Reading, as amended (SD 1) and placement on the calendar for Third Reading.</td>
</tr>
<tr>
<td>2/28/2014</td>
<td>Report adopted; Passed Second Reading, as amended (SD 1).</td>
</tr>
<tr>
<td>3/6/2014</td>
<td>Received from Senate (Sen. Com. No. 322) in amended form (SD 1).</td>
</tr>
<tr>
<td>3/6/2014</td>
<td>Pass First Reading</td>
</tr>
<tr>
<td>3/6/2014</td>
<td>Referred to FiN, referral sheet 28</td>
</tr>
<tr>
<td>3/25/2014</td>
<td>Bill scheduled to be heard by FIN on Thursday, 03-27-14 at 2:00 pm in House conference room 308.</td>
</tr>
<tr>
<td>3/27/2014</td>
<td>The committees on FIN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 14 Ayes: Representative(s) Luke, Nishimoto, Johanson, Cullen, Ing, Kobayashi, Lowen, Morikawa, Onishi, Takayama, Tokioka, Yamashita; Ayes with reservations: Representative(s) Fukumoto, Ward; Noes: none; and 3 Excused: Representative(s) Hashem, Jordan, Woodson.</td>
</tr>
<tr>
<td>4/4/2014</td>
<td>Passed Second Reading as amended in HD 1; placed on the calendar for Third Reading with none voting aye with reservations; Representative(s) McDermott voting no (1) and Representative(s) Cachola, Carroll, Woodson excused (3).</td>
</tr>
<tr>
<td>4/8/2014</td>
<td>Passed Third Reading with none voting aye with reservations; Representative(s) Fale, Fukumoto, McDermott voting no (3) and Representative(s) Cachola excused (1). Transmitted to Senate.</td>
</tr>
<tr>
<td>4/10/2014</td>
<td>Received from House (Hse. Com. No. 627).</td>
</tr>
<tr>
<td>Date</td>
<td>Action</td>
</tr>
<tr>
<td>------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td>4/10/2014</td>
<td>S Senate disagrees with House amendments.</td>
</tr>
<tr>
<td>4/10/2014</td>
<td>H Received notice of disagreement (Sen. Com. No. 670).</td>
</tr>
<tr>
<td>4/15/2014</td>
<td>S Received notice of appointment of House conferees (Hse. Com. No. 685).</td>
</tr>
<tr>
<td>4/17/2014</td>
<td>S Reconsideration of action taken on 04-10-14 in disagreeing to the House amendments.</td>
</tr>
<tr>
<td>4/21/2014</td>
<td>S Passed Final Reading. 25 Aye(s); Aye(s) with reservations: Senator(s) Slom. 0 No(es): none. 0 Excused: none.</td>
</tr>
<tr>
<td>4/21/2014</td>
<td>H Received notice of reconsideration, Senate agreement, and Final Reading (Sen. Com. No. 703).</td>
</tr>
<tr>
<td>4/21/2014</td>
<td>S Enrolled to Governor.</td>
</tr>
</tbody>
</table>

S = Senate  | H = House  | D = Data Systems  | $ = Appropriation measure  | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe’s download page for detailed instructions.

**SB2886 SD1 HD1**
June 16, 2014

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 16, 2014, the following bill was signed into law:

SB2895 SD1 HD1 CD1 RELATING TO TAXPAYER EDUCATION
ACT 089 (14)


Since

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO TAXPAYER EDUCATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 235-20.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) The moneys in the fund shall be used for the following purposes:

(1) Issuing comfort letters, letter rulings, written opinions, and other guidance to taxpayers;

(2) Issuing certificates under sections 235-110.9 and 235-110.91; [and]

(3) Administering the operations of the special enforcement section[; and]

(4) Developing, implementing, and providing taxpayer education programs, including tax publications."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval.

APPROVED this 16 day of JUN, 2014

GOVERNOR OF THE STATE OF HAWAII
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam and Sir:  

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 2895, S.D. 1, H.D. 1, entitled:  

"A BILL FOR AN ACT RELATING TO TAXPAYER EDUCATION,"  

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 authorize the Department of Taxation to use funds from the tax administration special fund for taxpayer education programs.  

Your Committee on Conference finds that this measure will allow the Department of Taxation to use funds from the tax administration special fund to develop, implement, and provide taxpayer education programs, including tax publications. Accordingly, your Committee on Conference believes that the increased support for taxpayer education provided by this measure will encourage and facilitate voluntary compliance with the State's tax laws.
Your Committee on Conference has amended this measure by changing its effective date from July 1, 2030, to upon its approval.

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. 2895, 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. 2895, S.D. 1, H.D. 1, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE HOUSE

Sylvia Luke, Chair

ON THE PART OF THE SENATE

David Y. Ige, Chair
Hawaii State Legislature

Record of Votes of a Conference Committee

Bill / Concurrent Resolution No.: SB 2895, SD 1, HD 1

Date/Time: 4/24/14 2:30pm

☑ The recommendation of the House and Senate managers is to pass with amendments (CD).

☐ The Committee is reconsidering its previous decision.

☐ The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure

☐ The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

<table>
<thead>
<tr>
<th>Senate Managers</th>
<th>A</th>
<th>WR</th>
<th>N</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGE, David Y., Chr.</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHUN OAKLAND, Suzanne</td>
<td>✓</td>
<td></td>
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<tr>
<td>KIDANI, Michelle N.</td>
<td>✓</td>
<td></td>
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<tr>
<td>KOUCHI, Ronald D.</td>
<td>✓</td>
<td></td>
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<tr>
<td>SLOM, Sam</td>
<td>✓</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>House Managers</th>
<th>A</th>
<th>WR</th>
<th>N</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUKE, Sylvia, Chr.</td>
<td>✓</td>
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<tr>
<td>CULLEN, Ty J.K.</td>
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<td>✓</td>
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<tr>
<td>HASHEM, Mark J.</td>
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<td>✓</td>
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<tr>
<td>JOHANSON, Aaron Ling</td>
<td></td>
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<td>✓</td>
</tr>
</tbody>
</table>

TOTAL 5

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

Senate Recommendation is: ☑ Adopted
House Recommendation is: ☑ Adopted

Senate Lead Chair’s or Designee’s Signature:

House Lead Chair’s or Designee’s Signature:

Distribution:
- Original
- Yellow
- Pink
- Goldenrod
  File with Conference Committee Report
  House Clerk’s Office
  Senate Clerk’s Office
  Drafting Agency
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Sir:  

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

"A BILL FOR AN ACT RELATING TO TAXPAYER EDUCATION,"  

begs leave to report as follows:  

The purpose of this measure is to authorize the Department of Taxation to use funds from the Tax Administration Special Fund for taxpayer education programs.  

The Department of Taxation supported this measure. Tax Foundation of Hawaii commented on this measure.  

Your Committee has amended this measure by changing the effective date to July 1, 2030, to facilitate further discussion.  

As affirmed by the record of votes of the members of your Committee on Finance 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 Second Reading in the form attached hereto as S.B. No. 2895, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.
Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LUKE, Chair
State of Hawai‘i
House of Representatives
Twenty-seventh Legislature

Record of Votes of the Committee on Finance

<table>
<thead>
<tr>
<th>Bill/Resolution No.:</th>
<th>Committee Referral:</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB 2895, SD1</td>
<td>FIN</td>
<td>3/27/2014</td>
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</tbody>
</table>

- The committee is reconsidering its previous decision on the measure.
- The recommendation is to:  
  - Pass, unamended (as is) (x)  
  - Pass, with amendments (HD)  
  - Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
<thead>
<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. LUKE, Sylvia (C)</td>
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<tr>
<td>2. NISHIMOTO, Scott Y. (VC)</td>
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<td>3. JOHANSON, Aaron Ling (VC)</td>
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<td>4. CULLEN, Ty J.K.</td>
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<td>5. HASHEM, Mark J.</td>
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<td>6. ING, Kaniea</td>
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<td>7. JORDAN, Jo</td>
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<td>8. KOBAYASHI, Bertrand</td>
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<td>9. LOWEN, Nicole E.</td>
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<td>10. MORIKAWA, Dee</td>
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<td>11. ONISHI, Richard H.K.</td>
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<td>12. TAKAYAMA, Gregg</td>
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<td>13. TOKIOKA, James Kunane</td>
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<td>14. WOODSON, Justin H.</td>
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<td>15. YAMASHITA, Kyle T.</td>
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<td>16. FUKUMOTO, Beth</td>
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<tr>
<td>17. WARD, Gene</td>
<td></td>
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</tbody>
</table>

TOTAL (17) 14 3

The recommendation is:  
- Adopted (x)  
- Not Adopted

If joint referral, committee(s) did not support recommendation.

Vice Chair's or designee's signature

Distribution: Original (White) – Committee  Duplicate (Yellow) – Chief Clerk's Office  Duplicate (Pink) – HMSO
A BILL FOR AN ACT

RELATING TO TAXPAYER EDUCATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 235-20.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) The moneys in the fund shall be used for the following purposes:

(1) Issuing comfort letters, letter rulings, written opinions, and other guidance to taxpayers;

(2) Issuing certificates under sections 235-110.9 and 235-110.91; [and]

(3) Administering the operations of the special enforcement section[; and]

(4) Developing, implementing, and providing taxpayer education programs, including tax publications."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect on July 1, 2030.
Report Title:
Taxation; Taxpayer Education

Description:
Allows the department of taxation to use funds from the tax administration special fund for taxpayer education purposes. (SB2895 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

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

"A BILL FOR AN ACT RELATING TO TAXPAYER EDUCATION,"

begs leave to report as follows:

The purpose and intent of this measure is to authorize the Department of Taxation to use funds from the tax administrative special fund for taxpayer education programs.

The Department of Taxation provided testimony in support of this measure. The Tax Foundation of Hawaii provided comments on this measure.

Your Committee finds that taxpayer education is an essential element of the effort to increase voluntary taxpayer compliance with the State's tax laws. Greater and more accurate voluntary compliance will significantly assist the Department of Taxation in its mission to enforce the State's tax laws.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of 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, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2895, 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,

[Signature]

DAVID Y. IGE, Chair
The Senate
Twenty-Seventh Legislature
State of Hawai‘i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:
SB 2695

Committee Referral:
WAM

Date:
2-5-14

☐ The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to:

The Recommendation is:
☐ Pass, unamended
☐ Pass, with amendments
☐ Hold
☐ Recommit

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 | ✔ |
KAHELE, Gilbert | ✔ |
KEITH-AGARAN, Gilbert S.C. | ✔ |
KOUCHI, Ronald D. | ✔ |
RUDERMAN, Russell E. | ✔ |
THIELEN, Laura H. | ✔ |
TOKUDA, Jill N. | ✔ |
SLOM, Sam | ✔ |

Recommendation:
☐ Adopted
☐ Not Adopted

Chair’s or Designee’s Signature:

Distribution:
Original
File with Committee Report

Yellow
Clerk’s Office

Pink
Drafting Agency

Goldenrod
Committee File Copy

*Only one measure per Record of Votes

Revised: 11/19/12
A BILL FOR AN ACT

RELATING TO TAXPAYER EDUCATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 235-20.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

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4. Developing, implementing, and providing taxpayer education programs, including tax publications."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval.
Report Title:
Taxation; Taxpayer Education

Description:
Allows the department of taxation to use funds from the tax administration special fund for taxpayer education purposes. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
A BILL FOR AN ACT

RELATING TO TAXPAYER EDUCATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

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SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval.

INTRODUCED BY:  

BY REQUEST

TAX-10(14)
Report Title:
Taxation; Taxpayer Education

Description:
Allows the Department of Taxation to use funds from the Tax Administration Special Fund for taxpayer education purposes.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
DEPARTMENT: Taxation

TITLE: A BILL FOR AN ACT RELATING TO TAXPAYER EDUCATION.

PURPOSE: Allow the Department for taxpayer education programs with funds from the tax administration special fund.

MEANS: Amend section 235-20.5(b), Hawaii Revised Statutes.

JUSTIFICATION: Proper taxpayer education leads to increased voluntary compliance. By educating taxpayers the State will benefit through increased compliance and therefore revenue.

Impact on the public: The public will benefit from taxpayer education because they will possess the knowledge and tools necessary to become and remain compliant with all taxes that they may be subject to.

Impact on the department and other agencies: The Department will benefit greatly because when taxpayers are voluntarily compliant it can focus its resources in other areas.

GENERAL FUND: Pending.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: None.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval.
<table>
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<td>1/24/2014</td>
<td>S The committee(s) on WAM has scheduled a public hearing on 01-30-14 9:00AM in conference room 211.</td>
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<td>1/30/2014</td>
<td>S The committee(s) on WAM deferred the measure until 02-05-14 10:00AM in conference room 211.</td>
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<td>S The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 11 Aye(s): Ige, Kidani, Chun, Oakland, Dela Cruz, English, Espero, Kahele, Keith-Agaran, Ruderman, L. Thielen, Slom; Aye(s) with reservations: none; 0 No(es): none; and 2 Excused: Kouchi, Tokuda.</td>
</tr>
<tr>
<td>2/11/2014</td>
<td>S Reported from WAM (Stand. Com. Rep. No. 2188) with recommendation of passage on Second Reading, as amended (SD 1) and placement on the calendar for Third Reading.</td>
</tr>
<tr>
<td>2/11/2014</td>
<td>S Report adopted; Passed Second Reading, as amended (SD 1).</td>
</tr>
<tr>
<td>2/13/2014</td>
<td>S Passed Third Reading, as amended (SD 1). Ayes, 25; Aye(s) with reservations: none. Noes, 0 (none). Transmitted to House.</td>
</tr>
<tr>
<td>2/13/2014</td>
<td>H Received from Senate (Sen. Com. No. 22) in amended form (SD 1).</td>
</tr>
<tr>
<td>2/14/2014</td>
<td>H Pass First Reading</td>
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<tr>
<td>2/18/2014</td>
<td>H Referred to FIN, referral sheet 23</td>
</tr>
<tr>
<td>3/25/2014</td>
<td>H Bill scheduled to be heard by FIN on Thursday, 03-27-14 2:00PM in House conference room 308.</td>
</tr>
<tr>
<td>4/4/2014</td>
<td>H Passed Second Reading as amended in HD 1; placed on the calendar for Third Reading with none voting aye with reservations; none voting no (0) and Representative(s) Cachola, Carroll, Woodson excused (3).</td>
</tr>
<tr>
<td>4/8/2014</td>
<td>H Passed Third Reading with Representative(s) Jordan, Say voting aye with reservations; Representative(s) Hanohano voting no (1) and none excused (0). Transmitted to Senate.</td>
</tr>
<tr>
<td>4/10/2014</td>
<td>S Received from House (Hse. Com. No. 628).</td>
</tr>
<tr>
<td>4/10/2014</td>
<td>S Senate disagrees with House amendments.</td>
</tr>
</tbody>
</table>
Measure Status

http://capitol.hawaii.gov/measure_indiv.aspx?billtype=SB&billnumber=...
Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 19, 2014, the following bill was signed into law:

HB2464 HD1 SD1 CD1 RELATING TO TAX CREDITS
ACT 101 (14)

Sincerely,

NEIL ABERCROMBIE
Governor, State of Hawaii
RELATING TO TAX CREDITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 235-110.93, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There shall be allowed to each taxpayer an important agricultural land qualified agricultural cost tax credit that may be claimed in taxable years beginning after the taxable year during which the tax credit under section 235-110.46 is repealed, exhausted, or expired. The credit shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed. The tax credit amount shall be determined as follows:

(1) In the first year in which the credit is claimed, [twenty-five per cent of] the lesser of the following:

(A) [The] Twenty-five per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $625,000;
(2) In the second year in which the credit is claimed, fifteen per cent of the lesser of the following:

(A) Fifteen per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $250,000; and

(3) In the third year in which the credit is claimed, ten per cent of the lesser of the following:

(A) Ten per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $125,000.

The taxpayer may incur qualified agricultural costs during a taxable year in anticipation of claiming the credit in future taxable years during which the credit is available. The taxpayer may claim the credit in any taxable year after the taxable year during which the taxpayer incurred the qualified agricultural costs upon which the credit is claimed. The taxpayer also may claim the credit in consecutive or inconsecutive taxable years until exhausted."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.
SECTION 3. This Act, upon its approval, shall apply to taxable years beginning after July 1, 2008.

APPROVED this 19 day of JUN, 2014

GOVERNOR OF THE STATE OF HAWAII
Honolulu, Hawaii

RE: H.B. No. 2464
H.D. 1
S.D. 1
C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 2464, H.D. 1, S.D. 1, entitled:

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

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 clarify how the important agricultural land qualified agricultural cost tax credit is to be calculated.

Your Committee on Conference has amended this measure by:

(1) Removing the authorization for taxpayers who filed claims for taxable years ending prior to January 1, 2014, to claim the additional tax credits allowed under this measure; and
(2) Changing its effective date to apply, upon approval, to taxable years beginning after July 1, 2008.

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 H.B. No. 2464, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 2464, H.D. 1, S.D. 1, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE SENATE

CLARENCE K. NISHIHARA, Chair

DAVID Y. IGE, Co-Chair

ON THE PART OF THE HOUSE

KYLE T. YAMASHITA, Chair
The recommendation of the House and Senate managers is to pass with amendments (CD).

The Committee is reconsidering its previous decision.

The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure.

The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

<table>
<thead>
<tr>
<th>Senate Managers</th>
<th>A</th>
<th>WR</th>
<th>N</th>
<th>E</th>
<th>House Managers</th>
<th>A</th>
<th>WR</th>
<th>N</th>
<th>E</th>
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</thead>
<tbody>
<tr>
<td>NISHIHARA, Clarence K., Chr.</td>
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<td>YAMASHITA, Kyle T., Chr.</td>
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<td>IGE, David Y., Co-Chr.</td>
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<td>ONISHI, Richard H.K.</td>
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<td>SLOM, Sam</td>
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<td>WOOLEY, Jessica</td>
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<td>JOHANSON, Aaron Ling</td>
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</tbody>
</table>

TOTAL 2 / 1

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

Senate Recommendation is: ☑ Adopted  ☐ Not Adopted

House Recommendation is: ☑ Adopted  ☐ Not Adopted

Senate Lead Chair's or Designee's Signature: Clarence K. Nishihara

House Lead Chair's or Designee's Signature: }

Distribution: Original  Yellow  Pink  Goldenrod

File with Conference Committee Report  House Clerk's Office  Senate Clerk's Office  Drafting Agency
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 2464, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to clarify how the important agricultural land qualified agricultural cost tax credit is to be calculated.

More specifically, this measure clarifies the maximum credit amount that may be claimed under the important agricultural land qualified agricultural cost tax credit.

Your Committee received written comments in support of this measure from Alexander & Baldwin, Inc., Castle & Cooke Hawai‘i, The Chamber of Commerce of Hawaii, Hawaii Farm Bureau Federation, Land Use Research Foundation of Hawaii, and the Maui County Farm Bureau. The Department of Agriculture, Department of Taxation, and the Tax Foundation of Hawaii submitted written comments on the measure.

Your Committee finds that the important agricultural land qualified agricultural cost tax credit was established by Act 233, Session Laws of Hawaii 2008, as part of a package of incentives designed to sustain and establish viable agricultural businesses on designated important agricultural lands. Your Committee also finds that the Legislature intended for the cap amount of the tax
credit to be $625,000 in the first year, $250,000 in the second year, and $125,000 in the third year the tax credit is claimed. However, as currently written, the cap amount of the tax credit appears to be twenty-five per cent of $625,000 in the first year, fifteen per cent of $250,000 in the second year, and ten per cent of $125,000 in the third year. Your Committee believes that this measure clarifies the tax credit to reflect the Legislature's original intent.

Your Committee has amended this measure by changing the effective date to July 1, 2050, to facilitate further discussion on the measure.

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 H.B. No. 2464, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2464, H.D. 1, S.D. 1.

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

[Signature]

DAVID Y. ICE, Chair
The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to:

The Recommendation is:

- **Pass, with amendments**

<table>
<thead>
<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
<th>Excused</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGE, David Y. (C)</td>
<td>✔</td>
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<td>KIDANI, Michelle N. (VC)</td>
<td>✔</td>
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<td>CHUN OAKLAND, Suzanne</td>
<td>✔</td>
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<td>DELA CRUZ, Donovan M.</td>
<td>✔</td>
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<td>ENGLISH, J. Kalani</td>
<td>✔</td>
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<td>ESPERO, Will</td>
<td>✔</td>
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<td>KAHELE, Gilbert</td>
<td>✔</td>
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<td>KEITH-AGARAN, Gilbert S.C.</td>
<td>✔</td>
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<td>KOUCHI, Ronald D.</td>
<td>✔</td>
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<td>RUDERMAN, Russell E.</td>
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<td>THIELEN, Laura H.</td>
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<td>TOKUDA, Jill N.</td>
<td>✔</td>
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<td>SLOM, Sam</td>
<td>✔</td>
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</tbody>
</table>

Total: 13 Ayes, 0 Nays, 0 Excused

Recommendation: ✔ Adopted

Chair's or Designee's Signature: [Signature]

Distribution:

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- Yellow
- Pink
- Goldenrod
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- Drafting Agency
- Committee File Copy

*Only one measure per Record of Votes*
A BILL FOR AN ACT

RELATING TO TAX CREDITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 235-110.93, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There shall be allowed to each taxpayer an important agricultural land qualified agricultural cost tax credit that may be claimed in taxable years beginning after the taxable year during which the tax credit under section 235-110.46 is repealed, exhausted, or expired. The credit shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed. The tax credit amount shall be determined as follows:

(1) In the first year in which the credit is claimed, [twenty-five per cent of] the lesser of the following:

(A) Twenty-five per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $625,000;
(2) In the second year in which the credit is claimed,
[fifteen per cent of] the lesser of the following:

(A) [The] Fifteen per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $250,000; and

(3) In the third year in which the credit is claimed, [ten per cent of] the lesser of the following:

(A) [The] Ten per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $125,000.

The taxpayer may incur qualified agricultural costs during a taxable year in anticipation of claiming the credit in future taxable years during which the credit is available. The taxpayer may claim the credit in any taxable year after the taxable year during which the taxpayer incurred the qualified agricultural costs upon which the credit is claimed. The taxpayer also may claim the credit in consecutive or inconsecutive taxable years until exhausted."

SECTION 2. Taxpayers who have filed important agricultural land qualified agricultural cost tax credit claims for taxable
years ending prior to January 1, 2014, shall be entitled to
claim the additional tax credits as authorized by this Act;
provided that the cumulative amount of important agricultural
land qualified agricultural cost tax credits claimed by each
taxpayer shall not exceed the maximum amount of tax credits
allowed to each taxpayer in section 1.

SECTION 3. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2050.
Report Title:  
Important Agricultural Land Qualified Agricultural Cost Tax Credit  

Description:  
Clarifies the amount of the important agricultural land qualified agricultural cost tax credit. Effective 7/1/2050. (SD1)  

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:  

Your Committee on Agriculture, to which was referred H.B. No. 2464, H.D. 1, entitled:  
"A BILL FOR AN ACT RELATING TO TAX CREDITS;"  

begs leave to report as follows:  

The purpose and intent of this measure is to increase the amount of the important agricultural land qualified agricultural cost tax credit in certain situations.  

Your Committee received testimony in support of this measure from Alexander & Baldwin, Inc.; The Chamber of Commerce Hawaii; and Hawaii Farm Bureau Federation. Your Committee received comments on this measure from the Department of Agriculture, Department of Taxation, and Tax Foundation of Hawaii.

The important agricultural land qualified agricultural cost tax credit was enacted to incentivize landowners to designate agricultural lands as important agricultural lands. Since the credit's enactment, 101,000 acres have been designated as important agricultural lands in Hawaii. Your Committee concludes that increasing the tax credit will incentivize more landowners to designate their lands as important agricultural lands, which will increase the State's agricultural sustainability.

As affirmed by the record of votes of the members of your Committee on Agriculture that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2464, H.D. 1, and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on Agriculture,

CLARENCE K. NISHIHARA, Chair
A BILL FOR AN ACT

RELATING TO TAX CREDITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 235-110.93, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There shall be allowed to each taxpayer an important agricultural land qualified agricultural cost tax credit that may be claimed in taxable years beginning after the taxable year during which the tax credit under section 235-110.46 is repealed, exhausted, or expired. The credit shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed. The tax credit amount shall be determined as follows:

(1) In the first year in which the credit is claimed,

[twenty-five per cent of] the lesser of the following:

(A) [The] Twenty-five per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $625,000;
In the second year in which the credit is claimed, the lesser of the following:

(A) Fifteen per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $250,000; and

In the third year in which the credit is claimed, the lesser of the following:

(A) Ten per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $125,000.

The taxpayer may incur qualified agricultural costs during a taxable year in anticipation of claiming the credit in future taxable years during which the credit is available. The taxpayer may claim the credit in any taxable year after the taxable year during which the taxpayer incurred the qualified agricultural costs upon which the credit is claimed. The taxpayer also may claim the credit in consecutive or inconsecutive taxable years until exhausted."

SECTION 2. Taxpayers who have filed important agricultural land qualified agricultural cost tax credit claims for taxable
years ending prior to January 1, 2014, shall be entitled to
claim the additional tax credits as authorized by this Act;
provided that the cumulative amount of important agricultural
land qualified agricultural cost tax credits claimed by each
taxpayer shall not exceed the maximum amount of tax credits
allowed to each taxpayer in section 1.

SECTION 3. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2030.
Report Title:
Important Agricultural Land Qualified Agricultural Cost Tax Credit

Description:
Clarifies the amount of the important agricultural land qualified agricultural cost tax credit. Effective 07/01/2030. (HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Sir:  

Your Committee on Finance, to which was referred H.B. No. 2464 entitled:  

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

bigs leave to report as follows:  

The purpose of this measure is to clarify the maximum allowable amounts for the important agricultural land qualified agricultural cost tax credit.  

The Department of Taxation, the Department of Agriculture, the Tax Foundation of Hawaii, and Alexander & Baldwin, Inc. submitted comments on the measure.  

Your Committee finds that in enacting Act 233, Session Laws of Hawaii 2008, which created the important agricultural land qualified agricultural cost tax credit, the Legislature intended to cap the tax credit at $625,000, $250,000, and $125,000 in the first, second, and third year of claiming the tax credit, rather than at twenty-five per cent of those amounts as the existing law is currently being interpreted.  

Your Committee has amended this measure by:  

(1) Authorizing taxpayers who filed claims for taxable years ending prior to January 1, 2014, to claim the additional tax credits allowed under this measure; and
(2) Changing the effective date to July 1, 2030, to facilitate further discussion on this measure.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2464, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2464, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LUXE, Chair
Bill/Resolution No.: HB 2464
Committee Referral: FIN
Date: 2/12/2014

The committee is reconsidering its previous decision on the measure.

The recommendation is to: ☒ Pass, unamended (as is) ☒ Pass, with amendments (HD) ☐ Hold
☒ Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
<thead>
<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
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<tr>
<td>1. LUKE, Sylvia (C)</td>
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<td>2. NISHIMOTO, Scott Y. (VC)</td>
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<td>3. JOHANSON, Aaron Ling (VC)</td>
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<td>4. CULLEN, Ty J.K.</td>
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<td>5. HASHEM, Mark J.</td>
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<td>6. ING, Kaniela</td>
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<td>8. KOBAYASHI, Bertrand</td>
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<td>9. LOWEN, Nicole E.</td>
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<td>10. MORIKAWA, Dee</td>
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<td>11. ONISHI, Richard H.K.</td>
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<td>12. TAKAYAMA, Gregg</td>
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<td>16. FUKUMOTO, Beth</td>
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<td>17. WARD, Gene</td>
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TOTAL (17) 17

The recommendation is: ☒ Adopted ☐ Not Adopted

If joint referral, committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature: 

Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk’s Office Duplicate (Pink) – HMSO
A BILL FOR AN ACT

RELATING TO TAX CREDITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 235-110.93, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There shall be allowed to each taxpayer an important agricultural land qualified agricultural cost tax credit that may be claimed in taxable years beginning after the taxable year during which the tax credit under section 235-110.46 is repealed, exhausted, or expired. The credit shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed. The tax credit amount shall be determined as follows:

(1) In the first year in which the credit is claimed,

[twenty-five per cent of] the lesser of the following:

(A) [The] Twenty-five per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $625,000;
(2) In the second year in which the credit is claimed, the lesser of the following:

(A) Fifteen per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $250,000; and

(3) In the third year in which the credit is claimed, the lesser of the following:

(A) Ten per cent of the qualified agricultural costs incurred by the taxpayer after July 1, 2008; or

(B) $125,000.

The taxpayer may incur qualified agricultural costs during a taxable year in anticipation of claiming the credit in future taxable years during which the credit is available. The taxpayer may claim the credit in any taxable year after the taxable year during which the taxpayer incurred the qualified agricultural costs upon which the credit is claimed. The taxpayer also may claim the credit in consecutive or inconsecutive taxable years until exhausted."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.
SECTION 3. This Act, upon its approval, shall apply to taxable years beginning after July 1, 2008.

INTRODUCED BY:

JAN 22 2014
Report Title:
Important Agricultural Land Qualified Agricultural Cost Tax Credit

Description:
Clarifies the amount of the important agricultural land qualified agricultural cost tax credit.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
### Measure Title: RELATING TO TAX CREDITS.

**Report Title:** Important Agricultural Land Qualified Agricultural Cost Tax Credit

**Description:** Clarifies the amount of the important agricultural land qualified agricultural cost tax credit. (HB2464 CD1)

**Companion:** SB3059

**Package:** None

**Current Referral:** AGL, WAM

**Introducer(s):** YAMASHITA, ITO, TSUJI

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<tr>
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<tbody>
<tr>
<td>1/22/2014 H</td>
<td>Pending introduction.</td>
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<tr>
<td>1/23/2014 H</td>
<td>Introduced and Pass First Reading.</td>
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<tr>
<td>1/27/2014 H</td>
<td>Referred to FIN, referral sheet 7</td>
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<tr>
<td>2/10/2014 H</td>
<td>Bill scheduled to be heard by FIN on Wednesday, 02-12-14 2:00PM in House conference room 308.</td>
</tr>
<tr>
<td>2/12/2014 H</td>
<td>The committees on FIN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 17 Ayes: Representative(s) Luke, Nishimoto, Johanson, Cullen, Hashem, Ing, Jordan, Kobayashi, Lowen, Morikawa, Onishi, Takayama, Tokioka, Woodson, Yamashita, Fukumoto, Ward; Ayes with reservations: none; Noes: none; and Excused: none.</td>
</tr>
<tr>
<td>2/28/2014 H</td>
<td>Passed Second Reading as amended in HD 1; placed on the calendar for Third Reading with Representative(s) Hanohano, Oshiro voting aye with reservations; none voting no (0) and Representative(s) Har, Luke, Nakashima, Thielen, Woodson excused (5).</td>
</tr>
<tr>
<td>3/4/2014 H</td>
<td>Passed Third Reading with Representative(s) Hanohano, Oshiro, Say voting aye with reservations; none voting no (0) and Representative(s) Wooley excused (1). Transmitted to Senate.</td>
</tr>
<tr>
<td>3/6/2014 S</td>
<td>Received from House (Hse. Com. No. 356).</td>
</tr>
<tr>
<td>3/6/2014 S</td>
<td>Passed First Reading.</td>
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<tr>
<td>3/6/2014 S</td>
<td>Referred to AGL, WAM.</td>
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<tr>
<td>3/7/2014 S</td>
<td>The committee(s) on AGL has scheduled a public hearing on 03-11-14 2:45PM in conference room 229.</td>
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<tr>
<td>3/11/2014 S</td>
<td>The committee(s) on AGL recommend(s) that the measure be PASSED, UNAMENDED. The votes in AGL were as follows: 4 Aye(s): Senator(s) Nishihara, Kouchi, English, Wakai; Aye(s) with reservations: none ; 0 No(es): none; and 3 Excused: Senator(s) Dela Cruz, L. Thielen, Slom.</td>
</tr>
<tr>
<td>3/14/2014 S</td>
<td>Reported from AGL (Stand. Com. Rep. No. 2882) with recommendation of passage on Second Reading and referral to WAM.</td>
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<tr>
<td>3/14/2014 S</td>
<td>Report adopted; Passed Second Reading and referred to WAM.</td>
</tr>
<tr>
<td>3/28/2014 S</td>
<td>The committee(s) on WAM will hold a public decision making on 04-02-14 9:20AM in conference room 211.</td>
</tr>
<tr>
<td>4/2/2014 S</td>
<td>The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 13 Aye(s): Senator(s) Ige, Kidani, Chun Oakland, Dela Cruz, English, Espero, Kahele, Keith-Agaran, Kouchi, Ruderman, L. Thielen, Tokuda, Slom; Aye(s) with reservations: none ; 0 No(es): none; and 0 Excused: none.</td>
</tr>
</tbody>
</table>

4/8/2014 S Report adopted; Passed Third Reading, as amended (SD 1). Ayes, 25; Aye(s) with reservations: Senator(s) L. Thielen. Noes, 0 (none). Excused, 0 (none). Transmitted to House.


4/10/2014 H House disagrees with Senate amendment(s).

4/11/2014 S Received notice of disagreement (Hse. Com. No. 676).

4/14/2014 S Senate Conferences Appointed: Nishihiara Chair; Ige Co-Chair; Slom Member.

4/14/2014 H House Conferences Appointed: Yamashita Chair; Onishi, Wooley, Johanson Members.


4/14/2014 H Received notice of Senate conferees (Sen. Com. No. 673).

4/22/2014 H Bill scheduled for Conference Committee Meeting on Wednesday, 04-23-14 2:30PM in conference room 309.

4/23/2014 H Conference Committee Meeting will reconvene on Friday 04-25-14 2:30PM in conference room 309.

4/25/2014 H Conference Committee Meeting will reconvene on Friday, 04-25-14 at 4:30pm in Conference Room 309.

4/25/2014 H The Conference Committee recommends that the measure be Passed, with Amendments. The votes were as follows: 3 Ayes: Representative(s) Yamashita, Onishi, Johanson; Ayes with reservations: none; 0 Noes: none; and 1 Excused: Representative(s) Wooley.


4/25/2014 H Forty-eight (48) hours notice Tuesday, 04-29-14.

4/25/2014 S The Conference Committee recommends that the measure be PASSED, WITH AMENDMENTS. The votes of the Senate Conference Managers were as follows: 2 Aye(s): Senator(s) Nishihiara, Ige; Aye(s) with reservations: none; 0 No(es): none; and 1 Excused: Senator(s) Slom.


4/29/2014 S Passed Final Reading, as amended (CD 1). 25 Aye(s); Aye(s) with reservations: none. 0 No(es): none. 0 Excused: none.

4/29/2014 H Passed Final Reading as amended in CD 1 with none voting aye with reservations; none voting no (0) and Representative(s) Ito excused (1).

4/30/2014 H Received notice of Final Reading (Sen. Com. No. 720).

5/1/2014 S Received notice of passage on Final Reading in House (Hse. Com. No. 751).

5/5/2014 H Transmitted to Governor.


S = Senate | H = House | D = Data Systems | $ = Appropriation measure | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

HB2464 HD1 SD1 CD1
The Honorable Donna Mercado Kim,  
President  
and Members of the Senate  
Twenty-Seventh State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Seventh State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 20, 2014, the following bill was signed into law:

SB2196 SD2 HD1 CD1 RELATING TO ENERGY  
ACT 107 (14)

Sincerely,

NEIL ABERCROMBIE  
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to:

(1) Re-establish the energy systems development special fund, which was repealed on June 30, 2013, to be funded in part by revenues collected from the environmental response, energy, and food security tax; and

(2) Extend the allocation of revenues collected from the environmental response, energy, and food security tax to various special funds from June 30, 2015, to June 30, 2030.

SECTION 2. Chapter 304A, Hawaii Revised Statutes, is amended by adding three new sections to be appropriately designated and to read as follows:

§304A-A Energy systems development special fund. (a) There is established the energy systems development special fund for the purpose of developing an integrated approach to and portfolio management of renewable energy and energy efficiency technology projects that will reduce Hawaii’s dependence on...
fossil fuel, imported oil, and other imported energy resources and move Hawaii toward energy self-sufficiency.

(b) Deposits into the special fund may be from the following:

(1) Appropriations from the legislature;
(2) A portion of the environmental response, energy, and food security tax pursuant to section 243-3.5; and
(3) Investment earnings, gifts, donations, or other income received by the Hawaii natural energy institute.

(c) The Hawaii natural energy institute shall administer the special fund and may expend revenues of the special fund for the following activities:

(1) Obtaining matching funds from federal and private sources for research, development, and demonstration of renewable energy sources;
(2) Awarding contracts or grants to develop and deploy technologies that will reduce Hawaii's dependence on imported energy resources and imported oil. Projects may be commissioned that:
   (A) Balance the risk, benefits, and time horizons of the investment to ensure tangible benefits to the
Hawaii consumer, with priority given to short-term technology development;

(B) Emphasize innovative and renewable energy supply and energy efficient end use technologies focusing on environmental attributes, reliability, and affordability;

(C) Enhance transmission and distribution capabilities of renewable energy supply for electricity;

(D) Enhance reliability and storage capabilities of renewable energy for electricity;

(E) Ensure that research, deployment, and demonstration efforts build on existing programs and resources and are not duplicated;

(F) Address critical technical and scientific barriers to achieving energy self-sufficiency by reducing dependence on imported oil and imported energy resources;

(G) Ensure that technology used and developed for renewable energy production and distribution will be commercially viable; and
(H) Give priority to resources that are indigenous and unique to Hawaii; and

(3) Managing the portfolio of projects commissioned under this subsection.

§304A-B Periodic evaluation. (a) Evaluations shall be conducted of the projects and activities funded by the energy systems development special fund. Using objective criteria, the evaluation shall assess the degree to which the projects and activities comport with and achieve the stated objectives of the energy systems development special fund pursuant to section 304A-A.

(b) The initial evaluation shall be conducted beginning July 1, 2017, and every three years thereafter by a two-person panel of independent energy and environmental technical experts who shall be appointed by the director of business, economic development, and tourism and who shall not be affiliated with the Hawaii natural energy institute. The panel shall submit a report of the findings and recommendations of each evaluation to the legislature no later than twenty days prior to the convening of the following regular session. The Hawaii natural energy institute shall cooperate with and provide support to the evaluation panel.
§304A-C Plan of action. Prior to the initiation of any projects or activities authorized by section 304A-A, the Hawaii natural energy institute shall develop a plan of action in coordination with the state energy resources coordinator with the intent of promoting effective prioritization and focusing of efforts consistent with the State's energy programs."

SECTION 3. Act 73, Session Laws of Hawaii 2010, is amended as follows:

1. By amending section 10 to read:

"SECTION 10. Any unexpended or unencumbered funds remaining in the agricultural development and food security special fund established by this Act, as of the close of business on June 30, [2015,] 2030, shall lapse to the credit of the general fund."

2. By amending section 14 to read:

"SECTION 14. This Act shall take effect on July 1, 2010; provided that sections 2, 3, 4, and 7 of this Act shall be repealed on June 30, [2015,] 2030, and sections 128D-2, 201-12.8, and 243-3.5, Hawaii Revised Statutes, shall be reenacted in the form in which they read on June 30, 2010."

SECTION 4. In codifying the new sections added to chapter 304A, Hawaii Revised Statutes, by section 2 of this Act, the
revisor of statutes shall substitute appropriate section numbers for the letters used in designating and referring to the new sections in this Act.

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect on July 1, 2014.
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 2196, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

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:

1. Re-establish the energy systems development special fund;

2. Amend the amount of the environmental response, energy, and food security tax to be deposited into various existing funds; 

3. Amend the purpose of the hydrogen investment capital special fund to be for the development of hydrogen production, storage, and dispensing infrastructure;
(4) Require the Director of Finance to deposit an unspecified amount from the revenues of the environmental response, energy, and food security tax into the hydrogen investment capital special fund; and

(5) Extend the repeal of various allocations of the environmental response, energy, and food security tax from 2015 to 2030.

Your Committee on Conference finds that re-establishing the energy systems development special fund will provide funding to support Hawaii projects important for achieving state energy goals, such as renewable power generation, advanced transportation, energy efficient end-use technologies, and the integration of systems to allow increased renewable use.

Your Committee on Conference has amended this measure by:

(1) Specifying in the findings that the purpose of this measure is to:

(A) Re-establish the energy systems development special fund to be funded in part by revenues collected from the environmental response, energy, and food security tax; and

(B) Extend the allocation of revenues collected from the environmental response, energy, and food security tax to various special funds from June 30, 2015, to June 30, 2030;

(2) Deleting language that would have amended the purpose of the hydrogen investment capital special fund to be for the development of hydrogen production, storage, and dispensing infrastructure;

(3) Deleting language that would have amended the amount of the environmental response, energy, and food security tax to be deposited into various existing funds;

(4) Deleting language that would have required the Director of Finance to deposit an unspecified amount from the revenues of the environmental response, energy, and food security tax into the hydrogen investment capital special fund;

(5) Changing the effective date to July 1, 2014; and
(6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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. 2196, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 2196, S.D. 2, H.D. 1, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE HOUSE

CHRIS LEE, Co-Chair
SYLVIA LURE, Co-Chair

ON THE PART OF THE SENATE

MIKE GABBARD, Chair
CLARENCE K. NISHIHARA, Co-Chair
DAVID Y. IGE, Co-Chair
## Record of Votes of a Conference Committee

**Bill / Concurrent Resolution No.:** SB 2196, SD 2, HD 1  
**Date/Time:** 4/25/14 5:49 PM

1. The recommendation of the House and Senate managers is to pass with amendments (CD).
2. The Committee is reconsidering its previous decision.

### Senate Managers

<table>
<thead>
<tr>
<th>Name</th>
<th>A</th>
<th>WR</th>
<th>N</th>
<th>E</th>
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<tbody>
<tr>
<td>GABBARD, Mike, Chr.</td>
<td>✓</td>
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<tr>
<td>NISHIHARA, Clarence K., Co-Chr.</td>
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<td>✓</td>
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<tr>
<td>IGE, David Y., Co-Chr.</td>
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### House Managers

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<thead>
<tr>
<th>Name</th>
<th>A</th>
<th>WR</th>
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<tbody>
<tr>
<td>LEE, Chris, Co-Chr.</td>
<td>✓</td>
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<tr>
<td>LUKE, Sylvia, Co-Chr.</td>
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<td>WOOLEY, Jessica</td>
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<td>THIELEN, Cynthia</td>
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</table>

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

### Senate Recommendation is:

- ✓ Adopted  
- □ Not Adopted

### House Recommendation is:

- ✓ Adopted  
- □ Not Adopted

**Senate Lead Chair's or Designee's Signature:**

**House Lead Chair's or Designee's Signature:**

**Distribution:**

- Original: File with Conference Committee Report  
- Yellow: House Clerk's Office  
- Pink: Senate Clerk's Office  
- Goldenrod: Drafting Agency
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  
Sir:  

Your Committee on Finance, to which was referred S.B. No. 2196, S.D. 2, H.D. 1, entitled:  

"A BILL FOR AN ACT RELATING TO ENERGY,"  

begs leave to report as follows:  

The purpose of this measure is to facilitate alternative energy research and production in the State by:  

(1) Re-establishing the Energy Systems Development Special Fund;  

(2) Amending the amount of the Environmental Response, Energy, and Food Security Tax to be deposited into the existing various funds and extending the repeal of various funds from 2015 to 2030;  

(3) Appropriating a one-time unspecified amount from the revenues of the Environmental Response, Energy, and Food Security Tax to be deposited into the Hydrogen Investment Capital Special Fund; and  

(4) Amending the purpose of the Hydrogen Investment Capital Special Fund to be for the development of hydrogen production, storage, and dispensing infrastructure.
The Department of Health; County of Kauai Office of Economic Development; Renewable Energy Action Coalition of Hawaii; Hawaii Energy Policy Forum; Ulupono Initiative; Hawaii Green Growth; the Nature Conservancy; and an individual supported this measure. The Public Utilities Commission; Department of Taxation; Department of Business, Economic Development, and Tourism; Department of Agriculture; Department of Budget and Finance; Tax Foundation of Hawaii; and the Hawaii Natural Energy Institute at the University of Hawaii Manoa commented on this measure.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2196, S.D. 2, H.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on behalf of the members of the Committee on Finance,

Sylvia Luke, Chair
Record of Votes of the Committee on Finance

<table>
<thead>
<tr>
<th>Bill/Resolution No.:</th>
<th>Committee Referral:</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB 2196, SD2, HD1</td>
<td>EEP, FIN</td>
<td>3/31/2014</td>
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</tbody>
</table>

- The committee is reconsidering its previous decision on the measure.
- The recommendation is to: Pass, unamended (as is) ☑️
- The recommendation is: Adopted ☑️

<table>
<thead>
<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
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<tbody>
<tr>
<td>1. LUKE, Sylvia (C)</td>
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<td>2. NISHIMOTO, Scott Y. (VC)</td>
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<td>3. JOHANSON, Aaron Ling (VC)</td>
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<td>4. CULLEN, Ty J.K.</td>
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<td>5. HASHEM, Mark J.</td>
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<td>6. ING, Kaniela</td>
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<td>7. JORDAN, Jo</td>
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<td>8. KOBAYASHI, Bertrand</td>
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<td>9. LOWEN, Nicole E.</td>
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<td>10. MORIKAWA, Dee</td>
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<td>11. ONISHI, Richard H.K.</td>
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<td>12. TAKAYAMA, Gregg</td>
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<td>13. TOKIOKA, James Kunane</td>
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<td>14. WOODSON, Justin H.</td>
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<td>15. YAMASHITA, Kyle T.</td>
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<td>16. FUKUMOTO, Beth</td>
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<td>17. WARD, Gene</td>
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</tbody>
</table>

TOTAL (17) 10 5 1

If joint referral, committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature:

Distribution: Original (White) – Committee  Duplicate (Yellow) – Chief Clerk's Office  Duplicate (Pink) – HMSO
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 2196, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose of this measure is to facilitate alternative energy research and production in the State by:

(1) Re-establishing the Energy Systems Development Special Fund;

(2) Allocating a portion of revenues collected from the Environmental Response, Energy, and Food Security Tax for deposit into the Energy Systems Development Special Fund; and

(3) Changing the amount of allocations of revenues from the foregoing tax to other special funds and extending authorization for these funds to use this tax as a funding source to June 30, 2030.

The Department of Agriculture; Department of Health; Hawaii Natural Energy Institute at the University of Hawaii; Hawaii Energy Policy Forum; Hawaii Automobile Dealers Association; Hawaii Center for Advanced Transportation Technologies; Nature Conservancy; Ulupono Initiative; Americans for Democratic Action;
Hawaii Green Growth; Renewable Energy Action Coalition of Hawaii; and BluePlanet Foundation testified in support of this measure. The Chamber of Commerce Hawaii and a concerned individual testified in opposition to this measure. The Department of Budget and Finance; Department of Taxation; Public Utilities Commission; Department of Business, Economic Development, and Tourism; and Tax Foundation of Hawaii commented on this measure.

Your Committee has amended this measure by:

(1) Amending the purpose of the Hydrogen Investment Capital Special Fund to be for the development of hydrogen production, storage, and dispensing infrastructure;

(2) Directing the Director of Finance to make a one-time deposit of a portion of the revenues collected from the Environmental Response, Energy, and Food Security Tax into the Hydrogen Investment Capital Special Fund but leaving the deposit amount unspecified to facilitate further discussion as this measure proceeds forward in the legislative process; 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 Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2196, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2196, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Energy & Environmental Protection,

CHRIS LEE, Chair
State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature  

Record of Votes of the Committee on Energy & Environmental Protection  

<table>
<thead>
<tr>
<th>Bill/Resolution No.:</th>
<th>Committee Referral:</th>
<th>Date: 3/13/14</th>
</tr>
</thead>
</table>

☐ The committee is reconsidering its previous decision on the measure.

The recommendation is to: ☑ Pass, with amendments (HD) ☐ Hold
☐ Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
<thead>
<tr>
<th>EEP Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
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</thead>
<tbody>
<tr>
<td>1. LEE, Chris (C)</td>
<td>☑</td>
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<tr>
<td>2. THIELEN, Cynthia (VC)</td>
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<td>3. CULLEN, Ty J.K.</td>
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<td>4. EVANS, Cindy</td>
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<td>5. HANOHANO, Faye P.</td>
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<td>6. KAWAKAMI, Derek S.K.</td>
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<td>7. SAY, Calvin K.Y.</td>
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<td>8. NISHIMOTO, Scott Y.</td>
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<td>9. LOWEN, Nicole E.</td>
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<tr>
<td>10. FALE, Richard Lee</td>
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</tbody>
</table>

TOTAL (10) 7 3

The recommendation is: ☑ Adopted ☐ Not Adopted

If joint referral, committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature: [Signature]

Distribution: Original (White) – Committee  Duplicate (Yellow) – Chief Clerk's Office  Duplicate (Pink) – HMSO
A BILL FOR AN ACT

RELATING TO ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to:

(1) Re-establish the energy systems development special fund, which was repealed on June 30, 2013, and designate a portion of revenues collected from the environmental response, energy, and food security tax as a source of funding for this special fund;

(2) Increase the amount of the environmental response, energy, and food security tax to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund;

(3) Amend the purpose of the hydrogen investment capital special fund to be for the development of hydrogen production, storage, and dispensing infrastructure and to authorize a one-time deposit of funds into this special fund from the revenues collected from the environmental response, energy, and food security tax; and
(4) Extend the allocation of revenues collected from the environmental response, energy, and food security tax to various special funds from June 30, 2015, to June 30, 2030.

SECTION 2. Chapter 304A, Hawaii Revised Statutes, is amended by adding three new sections to be appropriately designated and to read as follows:

§304A-A Energy systems development special fund. (a) There is established the energy systems development special fund for the purpose of developing an integrated approach to and portfolio management of renewable energy and energy efficiency technology projects that will reduce Hawaii's dependence on fossil fuel, imported oil, and other imported energy resources and move Hawaii toward energy self-sufficiency.

(b) Deposits into the special fund may be from the following:

(1) Appropriations from the legislature;

(2) A portion of the environmental response, energy, and food security tax pursuant to section 243-3.5; and

(3) Investment earnings, gifts, donations, or other income received by the Hawaii natural energy institute.
(c) The Hawaii natural energy institute shall administer the special fund and may expend revenues of the special fund for the following activities:

1. Obtaining matching funds from federal and private sources for research, development, and demonstration of renewable energy sources;

2. Awarding contracts or grants to develop and deploy technologies that will reduce Hawaii's dependence on imported energy resources and imported oil. Projects may be commissioned that:

   A. Balance the risk, benefits, and time horizons of the investment to ensure tangible benefits to the Hawaii consumer, with priority given to short-term technology development;

   B. Emphasize innovative and renewable energy supply and energy efficient end use technologies focusing on environmental attributes, reliability, and affordability;

   C. Enhance transmission and distribution capabilities of renewable energy supply for electricity;
(D) Enhance reliability and storage capabilities of renewable energy for electricity;

(E) Ensure that research, deployment, and demonstration efforts build on existing programs and resources and are not duplicated;

(F) Address critical technical and scientific barriers to achieving energy self-sufficiency by reducing dependence on imported oil and imported energy resources;

(G) Ensure that technology used and developed for renewable energy production and distribution will be commercially viable; and

(H) Give priority to resources that are indigenous and unique to Hawaii; and

(3) Managing the portfolio of projects commissioned under this subsection.

§304A-B Periodic evaluation. (a) Evaluations shall be conducted of the projects and activities funded by the energy systems development special fund. Using objective criteria, the evaluation shall assess the degree to which the projects and activities comport with and achieve the stated objectives of the
energy systems development special fund pursuant to section 304A-A.

(b) The initial evaluation shall be conducted beginning July 1, 2017, and every three years thereafter by a two-person panel of independent energy and environmental technical experts who shall be appointed by the director of business, economic development, and tourism and who shall not be affiliated with the Hawaii natural energy institute. The panel shall submit a report of the findings and recommendations of each evaluation to the legislature no later than twenty days prior to the convening of the following regular session. The Hawaii natural energy institute shall cooperate with and provide support to the evaluation panel.

§304A-C Plan of action. Prior to the initiation of any projects or activities authorized by section 304A-A, the Hawaii natural energy institute shall develop a plan of action in coordination with the state energy resources coordinator with the intent of promoting effective prioritization and focusing of efforts consistent with the State's energy programs."

SECTION 3. Section 211F-5.7, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:
"(b) Moneys in the fund shall be expended by the corporation to:

(1) Provide seed capital for and venture capital investments in private sector and federal projects for research, development, testing, and implementation of the Hawaii renewable hydrogen program, as set forth in section 196-10; and

(2) For any other purpose deemed necessary to carry out the purposes of section 196-10.] provide seed capital for the development of hydrogen infrastructure, including production, storage, and dispensing facilities."

SECTION 4. Section 243-3.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) In addition to any other taxes provided by law, subject to the exemptions set forth in section 243-7, there is hereby imposed a state environmental response, energy, and food security tax on each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user of petroleum product, other than a refiner. The tax shall be $1.05 on each barrel or fractional part of a barrel of
petroleum product that is not aviation fuel; provided that of
the tax collected pursuant to this subsection:

(1) [5] ____ cents of the tax on each barrel shall be
deposited into the environmental response revolving
fund established under section 128D-2;

(2) [45] ____ cents of the tax on each barrel shall be
deposited into the energy security special fund
established under section 201-12.8;

(3) [10] ____ cents of the tax on each barrel shall be
deposited into the energy systems development special
fund established under section [304A-2169;] 304A-A;
and

(4) [15] ____ cents of the tax on each barrel shall be
deposited into the agricultural development and food
security special fund established under section
141-10.

The tax imposed by this subsection shall be paid by the
distributor of the petroleum product."

SECTION 5. Act 73, Session Laws of Hawaii 2010, is amended
as follows:

1. By amending section 10 to read:
"SECTION 10. Any unexpended or unencumbered funds remaining in the agricultural development and food security special fund established by this Act, as of the close of business on June 30, [2015,] 2030, shall lapse to the credit of the general fund."

2. By amending section 14 to read:

"SECTION 14. This Act shall take effect on July 1, 2010; provided that sections 2, 3, 4, and 7 of this Act shall be repealed on June 30, [2015,] 2030, and sections 128D-2, 201-12.8, and 243-3.5, Hawaii Revised Statutes, shall be reenacted in the form in which they read on June 30, 2010."

SECTION 6. Notwithstanding sections 248-8 and 243-3.5, Hawaii Revised Statutes, to the contrary, the director of finance shall deposit from the environmental response, energy, and food security tax collected, the sum of $ to the hydrogen investment capital special fund. These moneys shall be expended by the Hawaii strategic development corporation for the purposes of development of hydrogen production, storage, and dispensing infrastructure. This one-time deposit shall be made from amounts collected from the environmental response, energy, and food security tax that are not allocated for deposit into
other special funds pursuant to section 243-3.5, Hawaii Revised Statutes.

SECTION 7. In codifying the new sections added to chapter 304A, Hawaii Revised Statutes, by section 2 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating and referring to the new sections in this Act.

SECTION 8. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect on July 1, 2050.
Report Title:
Energy; Barrel Tax; Energy Systems Development Special Fund

Description:
Re-establishes the energy systems development special fund, which was repealed. Amends the amount of the environmental response, energy, and food security tax to be deposited into the existing various funds. Amends the purpose of the hydrogen investment capital special fund to be for the development of hydrogen production, storage, and dispensing infrastructure. Appropriates a one-time unspecified amount from the revenues of the environmental response, energy, and food security tax to be deposited into the hydrogen investment capital special fund. Extends the repeal of various allocations of the environmental response, energy, and food security tax from 2015 to 2030. Effective July 1, 2050. (SB2196 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:  

Your Committee on Ways and Means, to which was referred S.B. No. 2196, S.D. 1, entitled:  

"A BILL FOR AN ACT RELATING TO ENERGY,"  

begs leave to report as follows:  

The purpose and intent of this measure is to facilitate alternative energy research and production in the State.  

Specifically, the measure:  

(1) Re-establishes the energy systems development special fund;  

(2) Increases the amount of the environmental response, energy, and food security tax to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund; and  

(3) Extends various allocations of the environmental response, energy, and food security tax to June 30, 2030.  

Your Committee received written comments in support of this measure from the Department of Business, Economic Development, and Tourism, Department of Agriculture, Hawaii Natural Energy Institute, Renewable Energy Action Coalition of Hawaii, Blue Planet Foundation, The Nature Conservancy, and two individuals.
Your Committee received written comments in opposition to this measure from one individual. The Department of Taxation, Department of Budget and Finance, Department of Health, and the Public Utilities Commission submitted written comments on the measure.

Your Committee finds that this measure will ensure dedicated funding for the State to meet its long-term clean energy goals and support efforts to develop food self-sufficiency and prepare for an environmental response.

Your Committee has amended this measure by:

(1) Changing the amounts of the environmental response, energy, and food security tax on each barrel to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund, respectively, to unspecified amounts;

(2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and

(3) Making nonsubstantive technical amendments for the purpose of clarity, consistency, 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. 2196, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2196, S.D. 2.

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

[Signature]
DAVID Y. IGE, Chair
The Senate
Twenty-Seventh Legislature
State of Hawai‘i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB2146, SD1
Committee Referral: ENE/AEI/AGL/WAM
Date: 2-19-14

☐ The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to:

The Recommendation is:
☐ Pass, unamended
☐ Pass, with amendments 2311
☐ Hold 2310
☐ Recommit 2313

Members

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Recommendation: ☐ Adopted ☐ Not Adopted

Chair’s or Designee’s Signature: [Signature]

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*Only one measure per Record of Votes

Revised: 07/01/13
S.B. NO. 2196
STATE OF HAWAII

A BILL FOR AN ACT

RELATING TO ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to:

(1) Re-establish the energy systems development special fund, which was repealed on June 30, 2013;

(2) Increase the amount of the environmental response, energy, and food security tax to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund; and

(3) Extend various allocations of the environmental response, energy, and food security tax from June 30, 2015, to June 30, 2030.

SECTION 2. Chapter 304A, Hawaii Revised Statutes, is amended by adding three new sections to be appropriately designated and to read as follows:

"§304A-A Energy systems development special fund. (a) There is established the energy systems development special fund for the purpose of developing an integrated approach to and portfolio management of renewable energy and energy efficiency..."
technology projects that will reduce Hawaii's dependence on
fossil fuel, imported oil, and other imported energy resources
and move Hawaii toward energy self-sufficiency.

(b) Deposits into the special fund may be from the
following:

(1) Appropriations from the legislature;

(2) A portion of the environmental response, energy, and
food security tax pursuant to section 243-3.5; and

(3) Investment earnings, gifts, donations, or other income
received by the Hawaii natural energy institute.

(c) The Hawaii natural energy institute shall administer
the special fund and may expend revenues of the special fund for
the following activities:

(1) Obtaining matching funds from federal and private
sources for research, development, and demonstration
of renewable energy sources;

(2) Awarding contracts or grants to develop and deploy
technologies that will reduce Hawaii's dependence on
imported energy resources and imported oil. Projects
may be commissioned that:

(A) Balance the risk, benefits, and time horizons of
the investment to ensure tangible benefits to the
Hawaii consumer, with priority given to short-term technology development;

(B) Emphasize innovative and renewable energy supply and energy efficient end use technologies focusing on environmental attributes, reliability, and affordability;

(C) Enhance transmission and distribution capabilities of renewable energy supply for electricity;

(D) Enhance reliability and storage capabilities of renewable energy for electricity;

(E) Ensure that research, deployment, and demonstration efforts build on existing programs and resources and are not duplicated;

(F) Address critical technical and scientific barriers to achieving energy self-sufficiency by reducing dependence on imported oil and imported energy resources;

(G) Ensure that technology used and developed for renewable energy production and distribution will be commercially viable; and
(H) Give priority to resources that are indigenous and unique to Hawaii; and

(3) Managing the portfolio of projects commissioned under this subsection.

§304A-B Periodic evaluation. (a) Evaluations shall be conducted of the projects and activities funded by the energy systems development special fund. The evaluation shall assess, using objective criteria, the degree to which the projects and activities comport with and achieve the stated objectives of the energy systems development special fund pursuant to section 304A-A.

(b) The initial evaluation shall be conducted beginning July 1, 2017, and every three years thereafter by a two-person panel of independent energy and environmental technical experts who shall be appointed by the director of business, economic development, and tourism and who are not affiliated with the Hawaii natural energy institute. The panel shall submit a report of the results of each evaluation to the legislature no later than twenty days prior to the convening of the following regular session. The Hawaii natural energy institute shall cooperate with and provide support to the evaluation panel.
§304A-C  Plan of action. Prior to the initiation of any projects or activities authorized by section 304A-A, the Hawaii natural energy institute shall develop a plan of action in coordination with the state energy resources coordinator with the intent of promoting effective prioritization and focusing of efforts consistent with the State's energy programs."

SECTION 3. Section 243-3.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) In addition to any other taxes provided by law, subject to the exemptions set forth in section 243-7, there is hereby imposed a state environmental response, energy, and food security tax on each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user of petroleum product, other than a refiner. The tax shall be $1.05 on each barrel or fractional part of a barrel of petroleum product that is not aviation fuel; provided that of the tax collected pursuant to this subsection:

(1) [5] ___ cents of the tax on each barrel shall be deposited into the environmental response revolving fund established under section 128D-2;
(2) [15] ____ cents of the tax on each barrel shall be deposited into the energy security special fund established under section 201-12.8;

(3) [10] ____ cents of the tax on each barrel shall be deposited into the energy systems development special fund established under section [304A-215] 304A-A;

and

(4) [15] ____ cents of the tax on each barrel shall be deposited into the agricultural development and food security special fund established under section 141-10.

The tax imposed by this subsection shall be paid by the distributor of the petroleum product."

SECTION 4. Act 73, Session Laws of Hawaii 2010, is amended as follows:

1. By amending section 10 to read:

"SECTION 10. Any unexpended or unencumbered funds remaining in the agricultural development and food security special fund established by this Act, as of the close of business on June 30, [2015] 2030, shall lapse to the credit of the general fund."

2. By amending section 14 to read:
"SECTION 14. This Act shall take effect on July 1, 2010; provided that sections 2, 3, 4, and 7 of this Act shall be repealed on June 30, [2015] 2030, and sections 128D-2, 201-12.8, and 243-3.5, Hawaii Revised Statutes, shall be reenacted in the form in which they read on June 30, 2010."

SECTION 5. In codifying the new sections added to chapter 304A, Hawaii Revised Statutes by section 2 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating and referring to the new sections in this Act.

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2050.
Report Title:
Energy; Barrel Tax; Energy Systems Development Special Fund

Description:
Re-establishes the energy systems development special fund, which was repealed on June 30, 2013. Amends the amount of the environmental response, energy, and food security tax to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund. Extends the repeal of various allocations of the environmental response, energy, and food security tax from June 30, 2015, to June 30, 2030. Effective 07/01/2050. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committees on Energy and Environment and Agriculture, to which was referred S.B. No. 2196 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

beg leave to report as follows:

The purpose and intent of this measure is to:

(1) Re-establish the energy systems development special fund;

(2) Increase the amount of the environmental response, energy, and food security tax to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund; and

(3) Extend the repeal of various allocations of the environmental response, energy, and food security tax from June 30, 2015, to June 30, 2030.

Your Committees received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Department of Agriculture; Department of Health; Public Utilities Commission; Hawai'i Natural Energy Institute; County of Kauai Office of Economic Development; Hawaii Renewable Energy Alliance; Renewable Energy Action Coalition of Hawaii; Ulupono Initiative; Nature Conservancy; Hawai'i Energy Policy Forum; Sierra Club of Hawaii; Hawai'i Green Growth; Blue Planet Foundation; and
one individual. Your Committees received testimony in opposition to this measure from The Chamber of Commerce of Hawaii and one individual. Your Committees received comments on this measure from the Department of Taxation, Department of Budget and Finance, and Tax Foundation of Hawaii.

Your Committees find that the energy systems development special fund sunset in June 2013, returning the 10 cent tax on each barrel of petroleum product imported in Hawaii to the general fund. Re-establishing the energy systems development special fund will provide funding to support Hawaii projects important for achieving state energy goals, such as renewable power generation, advanced transportation, energy efficient end-use technologies, and the integration of systems to allow increased renewable use.

Your Committees further find that the environmental response, energy, and food security tax funds vital sustainability measures to help make Hawaii more self-sufficient. This tax was designed to support critical investments in clean energy, local agricultural production, and environmental response; reduce the State's dependence on imported fossil fuels and food products; and support environmental activities and programs. The environmental response, energy, and food security tax further represents a balanced approach to public policy where an increase in fossil fuel consumption would generate more funding in these initiatives. During difficult economic times, the fund was intended to be diverted only temporarily toward the general fund. However, the fund has yet to be restored to its original purpose of environmental restoration.

Your Committees have amended this measure by:

(1) Further increasing the amount of environmental response, energy, and food security tax deposited into the environmental response revolving fund from 10 cents to 15 cents;

(2) Decreasing the amount of tax deposited into the energy security special fund from 42.5 cents to 25 cents;

(3) Decreasing the amount of tax deposited into the agricultural development and food security special fund from 42.5 cents to 25 cents; and
(4) Extending the sunset date to June 30, 2030, for the deposit of a portion of the environmental response, energy, and food security tax into the:

(A) Environmental response revolving fund;

(B) Energy security special fund, including an extension of certain uses of monies in that fund and reporting related to that fund; and

(C) Agricultural development and food security special fund.

As affirmed by the records of votes of the members of your Committees on Energy and Environment and Agriculture that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2196, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2196, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Energy and Environment and Agriculture,

[Signatures]

CLARENCE K. NISHIHARA, Chair

MIKE GABEARD, Chair
### Record of Votes

**Committee on Energy and Environment**  
**ENE**

**Bill / Resolution No.:** SB 2196  
**Committee Referral:** ENE/AGL, WAM  
**Date:** 2/6/14

- The committee is reconsidering its previous decision on this measure.
  - If so, then the previous decision was to:

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**TOTAL**  

- Recommendation:  
  - Adopted
  - Not Adopted

**Chair's or Designee's Signature:**

**Distribution:**  
- Original File with Committee Report
- Yellow Clerk's Office
- Pink Drafting Agency
- Goldenrod Committee File Copy

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*Only one measure per Record of Votes*
The Senate
Twenty-Seventh Legislature
State of Hawai‘i

Record of Votes
Committee on Agriculture
AGL

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☐ The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to: _________________________________

The Recommendation is:
☐ Pass, unamended 2312
☑ Pass, with amendments 2311
☐ Hold 2310
☐ Recommit 2313

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Recommendation: ☑ Adopted ☐ 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

Revised: 11/19/12
A BILL FOR AN ACT

RELATING TO ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to:

(1) Re-establish the energy systems development special fund, which was repealed on June 30, 2013;

(2) Increase the amount of the environmental response, energy, and food security tax to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund; and

(3) Extend the repeal of various allocations of the environmental response, energy, and food security tax from June 30, 2015, to June 30, 2030.

SECTION 2. Chapter 304A, Hawaii Revised Statutes, is amended by adding three new sections to be appropriately designated and to read as follows:

"§304A-A Energy systems development special fund. (a)
There is established the energy systems development special fund for the purpose of developing an integrated approach to and portfolio management of renewable energy and energy efficiency..."
technology projects that will reduce Hawaii's dependence on 
fossil fuel, imported oil, and other imported energy resources 
and move Hawaii toward energy self-sufficiency.

(b) Deposits into the special fund may be from the 
following:

(1) Appropriations from the legislature;

(2) A portion of the environmental response, energy, and 
food security tax pursuant to section 243-3.5; and

(3) Investment earnings, gifts, donations, or other income 
received by the Hawaii natural energy institute.

(c) The Hawaii natural energy institute shall administer 
the special fund and may expend revenues of the special fund for 
the following activities:

(1) Obtaining matching funds from federal and private 
sources for research, development, and demonstration 
of renewable energy sources;

(2) Awarding contracts or grants to develop and deploy 
technologies that will reduce Hawaii's dependence on 
imported energy resources and imported oil. Projects 
may be commissioned that:

(A) Balance the risk, benefits, and time horizons of 
the investment to ensure tangible benefits to the
Hawaii consumer, with priority given to short-term technology development;

(B) Emphasize innovative and renewable energy supply and energy efficient and use technologies focusing on environmental attributes, reliability, and affordability;

(C) Enhance transmission and distribution capabilities of renewable energy supply for electricity;

(D) Enhance reliability and storage capabilities of renewable energy for electricity;

(E) Ensure that research, deployment, and demonstration efforts build on existing programs and resources and are not duplicated;

(F) Address critical technical and scientific barriers to achieving energy self-sufficiency by reducing dependence on imported oil and imported energy resources;

(G) Ensure that technology used and developed for renewable energy production and distribution will be commercially viable; and
(H) Give priority to resources that are indigenous
and unique to Hawaii; and

(3) Managing the portfolio of projects commissioned under
this subsection.

§304A-B Periodic evaluation. (a) Evaluations shall be
conducted of the projects and activities funded by the energy
systems development special fund. The evaluation shall assess,
using objective criteria, the degree to which the projects and
activities comport with and achieve the stated objectives of the
energy systems development special fund pursuant to section
304A-A.

(b) The initial evaluation shall be conducted beginning
July 1, 2017, and every three years thereafter by a two-person
panel of independent energy and environmental technical experts
who shall be appointed by the director of business, economic
development, and tourism and who are not affiliated with the
Hawaii natural energy institute. The panel shall submit a
report of the results of each evaluation to the legislature no
later than twenty days prior to the convening of the following
regular session. The Hawaii natural energy institute shall
cooperate with and provide support to the evaluation panel.
§304A-C Plan of action. Prior to the initiation of any projects or activities authorized by section 304A-A, the Hawaii natural energy institute shall develop a plan of action in coordination with the state energy resources coordinator with the intent of promoting effective prioritization and focusing of efforts consistent with the State's energy programs."

SECTION 3. Section 243-3.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) In addition to any other taxes provided by law, subject to the exemptions set forth in section 243-7, there is hereby imposed a state environmental response, energy, and food security tax on each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user of petroleum product, other than a refiner. The tax shall be $1.05 on each barrel or fractional part of a barrel of petroleum product that is not aviation fuel; provided that of the tax collected pursuant to this subsection:

(1) [5] 15 cents of the tax on each barrel shall be deposited into the environmental response revolving fund established under section 128D-2;
(2) [15] 25 cents of the tax on each barrel shall be deposited into the energy security special fund established under section 201-12.8;

(3) 10 cents of the tax on each barrel shall be deposited into the energy systems development special fund established under section 304A-2169+ 304A-A; and

(4) [15] 25 cents of the tax on each barrel shall be deposited into the agricultural development and food security special fund established under section 141-10.

The tax imposed by this subsection shall be paid by the distributor of the petroleum product."

SECTION 4. Act 73, Session Laws of Hawaii 2010, is amended as follows:

1. By amending section 10 to read:

"SECTION 10. Any unexpended or unencumbered funds remaining in the agricultural development and food security special fund established by this Act, as of the close of business on June 30, [2015+ 2030, shall lapse to the credit of the general fund."

2. By amending section 14 to read:
"SECTION 14. This Act shall take effect on July 1, 2010; provided that sections 2, 3, 4, and 7 of this Act shall be repealed on June 30, [2015] 2030, and sections 128D-2, 201-12.8, and 243-3.5, Hawaii Revised Statutes, shall be reenacted in the form in which they read on June 30, 2010."

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect upon its approval.
Report Title:
Energy; Barrel Tax; Energy Systems Development Special Fund

Description:
Re-establishes the energy systems development special fund, which was repealed on June 30, 2013. Increases the amount of the environmental response, energy, and food security tax to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund. Extends the repeal of various allocations of the environmental response, energy, and food security tax from June 30, 2015, to June 30, 2030. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
A BILL FOR AN ACT

RELATING TO ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to:

(1) Re-establish the energy systems development special fund, which was repealed on June 30, 2013;

(2) Increase the amount of the environmental response, energy, and food security tax to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund; and

(3) Extend the repeal of various allocations of the environmental response, energy, and food security tax from June 30, 2015, to June 30, 2030.

SECTION 2. Chapter 304A, Hawaii Revised Statutes, is amended by adding three new sections to be appropriately designated and to read as follows:

"§304A-A Energy systems development special fund. (a) There is established the energy systems development special fund for the purpose of developing an integrated approach to and portfolio management of renewable energy and energy efficiency.
technology projects that will reduce Hawaii's dependence on fossil fuel, imported oil, and other imported energy resources and move Hawaii toward energy self-sufficiency.

(b) Deposits into the special fund may be from the following:

(1) Appropriations from the legislature;

(2) A portion of the environmental response, energy, and food security tax pursuant to section 243-3.5; and

(3) Investment earnings, gifts, donations, or other income received by the Hawaii natural energy institute.

(c) The Hawaii natural energy institute shall administer the special fund and may expend revenues of the special fund for the following activities:

(1) Obtaining matching funds from federal and private sources for research, development, and demonstration of renewable energy sources;

(2) Awarding contracts or grants to develop and deploy technologies that will reduce Hawaii's dependence on imported energy resources and imported oil. Projects may be commissioned that:

(A) Balance the risk, benefits, and time horizons of the investment to ensure tangible benefits to the
Hawaii consumer, with priority given to short-term technology development;

(B) Emphasize innovative and renewable energy supply and energy efficient and use technologies focusing on environmental attributes, reliability, and affordability;

(C) Enhance transmission and distribution capabilities of renewable energy supply for electricity;

(D) Enhance reliability and storage capabilities of renewable energy for electricity;

(E) Ensure that research, deployment, and demonstration efforts build on existing programs and resources and are not duplicated;

(F) Address critical technical and scientific barriers to achieving energy self-sufficiency by reducing dependence on imported oil and imported energy resources;

(G) Ensure that technology used and developed for renewable energy production and distribution will be commercially viable; and
(H) Give priority to resources that are indigenous and unique to Hawaii; and

(3) Managing the portfolio of projects commissioned under this subsection.

§304A-B Periodic evaluation. (a) Evaluations shall be conducted of the projects and activities funded by the energy systems development special fund. The evaluation shall assess, using objective criteria, the degree to which the projects and activities comport with and achieve the stated objectives of the energy systems development special fund pursuant to section 304A-A.

(b) The initial evaluation shall be conducted beginning July 1, 2017, and every three years thereafter by a two-person panel of independent energy and environmental technical experts who shall be appointed by the director of business, economic development, and tourism and who are not affiliated with the Hawaii natural energy institute. The panel shall submit a report of the results of each evaluation to the legislature no later than twenty days prior to the convening of the following regular session. The Hawaii natural energy institute shall cooperate with and provide support to the evaluation panel.
§304A-C Plan of action. Prior to the initiation of any projects or activities authorized by section 304A-A, the Hawaii natural energy institute shall develop a plan of action in coordination with the state energy resources coordinator with the intent of promoting effective prioritization and focusing of efforts consistent with the State's energy programs."

SECTION 3. Section 243-3.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) In addition to any other taxes provided by law, subject to the exemptions set forth in section 243-7, there is hereby imposed a state environmental response, energy, and food security tax on each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user of petroleum product, other than a refiner. The tax shall be $1.05 on each barrel or fractional part of a barrel of petroleum product that is not aviation fuel; provided that of the tax collected pursuant to this subsection:

(1) [5] 10 cents of the tax on each barrel shall be deposited into the environmental response revolving fund established under section 128D-2;
(2) [15] 42.5 cents of the tax on each barrel shall be deposited into the energy security special fund established under section 201-12.8;
(3) 10 cents of the tax on each barrel shall be deposited into the energy systems development special fund established under section [304A–2159] 304A-A; and
(4) [15] 42.5 cents of the tax on each barrel shall be deposited into the agricultural development and food security special fund established under section 141-10.

The tax imposed by this subsection shall be paid by the distributor of the petroleum product."

SECTION 4. Act 73, Session Laws of Hawaii 2010, is amended by amending section 14 to read as follows:

"SECTION 14. This Act shall take effect on July 1, 2010; provided that sections 2, 3, [4r] and 7 of this Act shall be repealed on June 30, 2015, and sections 128D-2[r] and 201-12.8, [and–243–3.5r] Hawaii Revised Statutes, shall be reenacted in the form in which they read on June 30, 2010[r]; provided further that section 4 of this Act shall be repealed on June 30, 2030, and section 243-3.5, Hawaii Revised Statutes, shall be reenacted in the form in which it read on June 30, 2010."
SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect upon its approval.

INTRODUCED BY:

[Signatures]
Report Title:
Energy; Barrel Tax; Energy Systems Development Special Fund

Description:
Re-establishes the energy systems development special fund, which was repealed on June 30, 2013. Increases the amount of the environmental response, energy, and food security tax to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund. Extends the repeal of various allocations of the environmental response, energy, and food security tax from June 30, 2015, to June 30, 2030.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Measure Title: RELATING TO ENERGY.
Report Title: Energy; Energy Systems Development Special Fund
Description:
Re-establishes the energy systems development special fund, which was repealed.
Extends the repeal of various allocations of the environmental response, energy, and food
security tax from 2015 to 2030. (CD1)
Companion:
Package: None
Current Referral: EEP, FIN
Introducer(s): GABBARD, CHUN OAKLAND, Ige, Ihara, Kahele, Kidani

<table>
<thead>
<tr>
<th>Date</th>
<th>Status</th>
<th>Text</th>
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<tbody>
<tr>
<td>1/16/2014</td>
<td>S</td>
<td>Introduced.</td>
</tr>
<tr>
<td>1/16/2014</td>
<td>S</td>
<td>Passed First Reading.</td>
</tr>
<tr>
<td>1/17/2014</td>
<td>S</td>
<td>Referred to ENE/HRE, WAM.</td>
</tr>
<tr>
<td>1/27/2014</td>
<td>S</td>
<td>Re-Referred to ENE/AGL, WAM.</td>
</tr>
<tr>
<td>1/29/2014</td>
<td>S</td>
<td>The committee(s) on ENE/AGL has scheduled a public hearing on 02-06-14 3:30PM in conference room 225.</td>
</tr>
<tr>
<td>2/6/2014</td>
<td>S</td>
<td>The committee(s) on ENE recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in ENE were as follows: 3 Aye(s): Senator(s) Gabbard, Ruderman, Chun Oakland; Aye(s) with reservations: none; 0 No(es): none; and 2 Excused: Senator(s) Iha, Slom.</td>
</tr>
<tr>
<td>2/6/2014</td>
<td>S</td>
<td>The committee(s) on AGL recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in AGL were as follows: 5 Aye(s): Senator(s) Nishihara, Kouchi, Dela Cruz, English, Wakai; Aye(s) with reservations: none; 0 No(es): none; and 2 Excused: Senator(s) L. Thielen, Slom.</td>
</tr>
<tr>
<td>2/12/2014</td>
<td>S</td>
<td>Reported from ENE/AGL (Stand. Com. Rep. No. 2216) with recommendation of passage on Second Reading, as amended (SD 1) and referral to WAM.</td>
</tr>
<tr>
<td>2/14/2014</td>
<td>S</td>
<td>Report adopted; Passed Second Reading, as amended (SD 1) and referred to WAM.</td>
</tr>
<tr>
<td>2/19/2014</td>
<td>S</td>
<td>The committee(s) on WAM will hold a public decision making on 02-19-14 9:25AM in conference room 211.</td>
</tr>
<tr>
<td>2/19/2014</td>
<td>S</td>
<td>The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 10 Aye(s): Senator(s) Ige, Kidani, Chun Oakland, Dela Cruz, English, Espero, Kahele, Ruderman, L. Thiesen, Tokuda; Aye(s) with reservations: none; 1 No(es): Senator(s) Slom; and 2 Excused: Senator(s) Keith-Agaran, Kouchi.</td>
</tr>
<tr>
<td>3/4/2014</td>
<td>H</td>
<td>Received from Senate (Sen. Com. No. 113) in amended form (SD 2).</td>
</tr>
<tr>
<td>3/6/2014</td>
<td>H</td>
<td>Pass First Reading</td>
</tr>
<tr>
<td>3/6/2014</td>
<td>H</td>
<td>Referred to EEP, FIN, referral sheet 28</td>
</tr>
<tr>
<td>3/11/2014</td>
<td>H</td>
<td>Bill scheduled to be heard by EEP on Thursday, 03-13-14 9:00AM in House conference room 325.</td>
</tr>
<tr>
<td>3/13/2014</td>
<td>H</td>
<td>The committees on EEP recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 7 Ayes: Representative(s) C. Lee, Thielen, Cullen, Evans, Kawakami, Nishimoto, Lowen; Aye(s) with reservations: none; 3 Noes: Representative(s)</td>
</tr>
</tbody>
</table>
3/21/2014 H Reported from EEP (Stand. Com. Rep. No. 1179-14) as amended in HD 1, recommending passage on Second Reading and referral to FIN.

3/21/2014 H Passed Second Reading as amended in HD 1 and referred to the committee(s) on FIN with Representative(s) Aquino, Awana, Cullen, Har, Johanson, Kawakami, Matsumoto, Say voting aye with reservations; Representative(s) Fale, Fukumoto, Hanohano, McDermott voting no (4) and Representative(s) Tokioka, Ward, Yamane excused (3).

3/28/2014 H Bill scheduled to be heard by FIN on Monday, 03-31-14 2:00PM in House conference room 308.

3/31/2014 H The committees on FIN recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 15 Ayes: Representative(s) Luke, Nishimoto, Ing, Kobayashi, Lowen, Morikawa, Onishi, Takayama, Woodson, Ward; Ayes with reservations: Representative(s) Johanson, Cullen, Jordan, Tokioka, Yamashita; 1 Noes: Representative(s) Fukumoto; and 1 Excused: Representative(s) Hashem.


4/8/2014 H Passed Third Reading with Representative(s) Johanson, Jordan, Matsumoto, Say, Ward voting aye with reservations; Representative(s) Aquino, Awana, Cabanilla, Carroll, Cullen, Fale, Fukumoto, Hanohano, Har, McDermott, Tokioka, Yamane voting no (12) and none excused (0). Transmitted to Senate.

4/10/2014 S Received from House (Hse. Com. No. 541).

4/10/2014 S Senate disagrees with House amendments.

4/10/2014 H Received notice of disagreement (Sen. Com. No. 670).


4/14/2014 S Senate Conferees Appointed: Gabbard Chair; Nishihara, Ige Co-Chairs.

4/14/2014 H Received notice of Senate conferees (Sen. Com. No. 676).

4/15/2014 S Received notice of appointment of House conferees (Hse. Com. No. 685).

4/17/2014 S Conference committee meeting scheduled for 04-21-14 10:45AM in conference room 225.

4/21/2014 S Conference committee meeting to reconvene on 04-23-14 11:00AM in conference room 225.

4/23/2014 S Conference committee meeting to reconvene on 04-24-14 10:30AM in conference room 225.

4/24/2014 S Conference committee meeting to reconvene on 04-25-14 1:35PM in conference room 225.

4/25/2014 S Conference committee meeting to reconvene on 04-25-14 3:35PM in conference room 225.

4/25/2014 S The Conference committee recommends that the measure be PASSED, WITH AMENDMENTS. The votes of the Senate Conference Managers were as follows: 2 Aye(s): Senator(s) Gabbard, Ige; Aye(s) with reservations: none ; 0 No(es): none; and 1 Excused: Senator(s) Nishihara.

4/25/2014 H The Conference Committee recommends that the measure be Passed, with Amendments. The votes were as follows: 3 Ayes: Representative(s) C. Lee, Luke, Thielen; Ayes with reservations: none; 0 Noes: none; and 1 Excused: Representative(s) Wooley.


4/25/2014 H Forty-eight (48) hours notice Tuesday, 04-29-14.

4/29/2014 S Passed Final Reading, as amended (CD 1). 24 Aye(s); Aye(s) with reservations: none . 1 No(es): Slom. 0 Excused: none.

4/29/2014 H Passed Final Reading as amended in CD 1 with Representative(s) Johanson, Matsumoto, Ward voting aye with reservations; Representative(s) Aquino, Awana, Cullen, Fale, Fukumoto, Hanohano, Har, Hashem, Kawakami, McDermott, Tokioka, Yamane voting no (12) and Representative(s) Ito excused (1).

4/30/2014 H Received notice of Final Reading (Sen. Com. No. 720).
5/1/2014  S  Received notice of passage on Final Reading in House (Hse. Com. No. 751).
5/1/2014  S  Enrolled to Governor.

S = Senate | H = House | D = Data Systems | $ = Appropriation measure | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

SB2196 SD2 HD1 CD1
The Honorable Donna Mercado Kim,  
President  
and Members of the Senate  
Twenty-Seventh State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Seventh State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 20, 2014, the following bill was signed into law:

SB2731 SD2 HD2  
RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX  
ACT 110 (14)

Sincerely,

NEIL ABERCROMBIE  
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to create a car-sharing vehicle surcharge tax.

SECTION 2. Chapter 251, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§251- Car-sharing vehicle surcharge tax. (a) There is levied and shall be assessed and collected a car-sharing vehicle surcharge tax of 25 cents per half-hour, or any portion of a half-hour, that a rental motor vehicle is rented or leased by a car-sharing organization; provided that for each rental of six hours or more, the tax shall be assessed in a manner provided in section 251-2. The car-sharing vehicle surcharge tax shall be levied upon the car-sharing organization.

(b) An organization that qualifies as a car-sharing organization as defined in section 251-1, that is registered with the department pursuant to section 251-3, and that is subject to the surcharges imposed by this section shall not be subject to the surcharges imposed by section 251-2; provided..."
that any organization registered with the department pursuant to
section 251-3 shall be subject to at least one surcharge imposed
by this chapter."

SECTION 3. Section 251-1, Hawaii Revised Statutes, is
amended by adding a new definition to be appropriately inserted
and to read as follows:

"Car-sharing organization" means a rental motor vehicle
lessor that operates a membership program in which:

(1) Self-service access to a fleet of vehicles is
    provided, with or without requiring a reservation,
    exclusively to members of the organization who have
    paid a membership fee;

(2) Members are charged a usage rate, either hourly or by
    the minute, for each use of a vehicle;

(3) Members are not required to enter into a separate
    written agreement with the organization each time the
    member reserves and uses a vehicle; and

(4) The average paid use period for all vehicles provided
    by the organization during any taxable period is six
    hours or less."

SECTION 4. Chapter 251, Hawaii Revised Statutes, is
amended by amending its title to read as follows:

RENTAL MOTOR VEHICLE [AND], TOUR VEHICLE, AND CAR-SHARING VEHICLE SURCHARGE TAX"

SECTION 5. Section 251-3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Each person as a condition precedent to engaging or continuing in the business of providing rental motor vehicles to the public [ex], engaging or continuing in the tour vehicle operator business, or engaging or continuing in a car-sharing organization business shall register with the director. A person required to so register shall make a one-time payment of $20, upon receipt of which the director shall issue a certificate of registration in such form as the director determines, attesting that the registration has been made. The registration shall not be transferable and shall be valid only for the person in whose name it is issued and for the transaction of business at the place designated therein. The registration, or in lieu thereof a notice stating where the registration may be inspected and examined, shall at all times be conspicuously displayed at the place for which it is issued."

SECTION 6. Section 437D-8.4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:
"(a) Notwithstanding any law to the contrary, a lessor may visibly pass on to a lessee:

(1) The general excise tax attributable to the transaction;

(2) The vehicle license and registration fee and weight taxes, prorated at 1/365th of the annual vehicle license and registration fee and weight taxes actually paid on the particular vehicle being rented for each full or partial twenty-four-hour rental day that the vehicle is rented; provided the total of all vehicle license and registration fees charged to all lessees shall not exceed the annual vehicle license and registration fee actually paid for the particular vehicle rented;

(3) The [rental-motor-vehicle] surcharge [tax as provided in section 251-2] taxes imposed in chapter 251 attributable to the transaction;

(4) The county surcharge on state tax under section 46-16.8; provided that the lessor itemizes the tax for the lessee; and

(5) The rents or fees paid to the department of transportation under concession contracts negotiated
pursuant to chapter 102, service permits granted pursuant to title 19, Hawaii Administrative Rules, or rental motor vehicle customer facility charges established pursuant to section 261-7; provided that:

(A) The rents or fees are limited to amounts that can be attributed to the proceeds of the particular transaction;

(B) The rents or fees shall not exceed the lessor's net payments to the department of transportation made under concession contract or service permit;

(C) The lessor submits to the department of transportation and the department of commerce and consumer affairs a statement, verified by a certified public accountant as correct, that reports the amounts of the rents or fees paid to the department of transportation pursuant to the applicable concession contract or service permit:

(i) For all airport locations; and

(ii) For each airport location;

(D) The lessor submits to the department of transportation and the department of commerce and consumer affairs a statement, verified by a
certified public accountant as correct, that
reports the amounts charged to lessees:
(i) For all airport locations;
(ii) For each airport location; and
(iii) For each lessee;
(E) The lessor includes in these reports the
methodology used to determine the amount of fees
charged to each lessee; and
(F) The lessor submits the above information to the
department of transportation and the department
of commerce and consumer affairs within three
months of the end of the preceding annual
accounting period or contract year as determined
by the applicable concession agreement or service
permit.

The respective departments, in their sole discretion,
may extend the time to submit the statement required
in this subsection. If the director determines that
an examination of the lessor's information is
inappropriate under this subsection and the lessor
fails to correct the matter within ninety days, the
director may conduct an examination and charge a
lessor an examination fee based upon the cost per hour per examiner for evaluating, investigating, and verifying compliance with this subsection, as well as additional amounts for travel, per diem, mileage, and other reasonable expenses incurred in connection with the examination, which shall relate solely to the requirements of this subsection, and which shall be billed by the departments as soon as feasible after the close of the examination. The cost per hour shall be $40 or as may be established by rules adopted by the director. The lessor shall pay the amounts billed within thirty days following the billing. All moneys collected by the director shall be credited to the compliance resolution fund."

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect on January 1, 2015; provided that the amendments made by section 6 of this Act to section 437D-8.4(a), Hawaii Revised Statutes, shall not be repealed when section 437D-8.4, Hawaii Revised Statutes, is reenacted on December 31, 2022, pursuant to section 9(3) of Act 247, Session Laws of Hawaii 2005.
APPROVED this 20 day of JUN, 2014

[Signature]

GOVERNOR OF THE STATE OF HAWAII
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Sir:

Your Committee on Finance, to which was referred S.B. No. 2731, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX,"

begs leave to report as follows:

The purpose of this measure is to create a Car-sharing Vehicle Surcharge Tax by:

(1) Defining a Car-sharing Organization as a rental motor vehicle lessor that operates a membership program that includes set requirements;

(2) Assessing the Car-sharing Vehicle Surcharge Tax in a similar manner as the Rental Motor Vehicle and Tour Vehicle Surcharge Tax;

(3) Specifying that a Car-sharing Organization that is subject to the Car-sharing Vehicle Surcharge Tax will not also be subject to the Rental Motor Vehicle and Tour Vehicle Surcharge Tax; and

(4) Allowing for the passing on of the Car-sharing Vehicle Surcharge Tax to the payor-organization's members.
The Department of Transportation; Department of Planning and Permitting City and County of Honolulu; EAN Holdings, LLC; Hawaii Energy Policy Forum; Ulupono Initiative; Car2go; and the Pacific Resource Partnership supported this measure. The Department of Taxation; Department of Health; Office of Planning; Blue Planet Foundation; and Tax Foundation of Hawaii commented on this measure.

Your Committee has amended this measure by making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2731, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2731, S.D. 2, H.D. 2.

Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LUKE, Chair
Record of Votes of the Committee on Finance

<table>
<thead>
<tr>
<th>Bill/Resolution No.:</th>
<th>Committee Referral:</th>
<th>Date:</th>
</tr>
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<tbody>
<tr>
<td>SB 2731, SD2, HD1</td>
<td>TRN, FIN</td>
<td>3/28/14</td>
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</tbody>
</table>

- The committee is reconsidering its previous decision on the measure.
- The recommendation is to: **Pass, with amendments (HD)** or **Hold** or **Pass short form bill with HD to recommit for future public hearing (recommit)**

<table>
<thead>
<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
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<tr>
<td>1. LUKE, Sylvia (C)</td>
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<td>2. NISHIMOTO, Scott Y. (VC)</td>
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<td>3. JOHANSON, Aaron Ling (VC)</td>
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<td>4. CULLEN, Ty J.K.</td>
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<td>5. HASHEM, Mark J.</td>
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<td>6. ING, Kaniela</td>
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<td>7. JORDAN, Jo</td>
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<td>8. KOBAYASHI, Bertrand</td>
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<td>11. ONISHI, Richard H.K.</td>
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<td>17. WARD, Gene</td>
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| TOTAL (17) | 16 | 1 |

- The recommendation is: **Adopted** or **Not Adopted**
  - If joint referral, committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature: 

Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Sir:  

Your Committee on Transportation, to which was referred S.B. No. 2731, S.D. 2, entitled:  

"A BILL FOR AN ACT RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX,"  

begs leave to report as follows:  

The purpose of this measure is to establish a Car-sharing Vehicle Surcharge Tax as follows:  

(1) Defines Car-sharing Organization as a rental motor vehicle lessor operating a membership program in which:  

(A) Self-service access to a vehicle fleet is provided exclusively to members who have paid a membership fee;  

(B) Members are charged a usage rate for each use of a vehicle; and  

(C) Members are not required to enter into a separate written agreement each time the member reserves and uses a vehicle;  

(2) Assesses a Car-sharing Vehicle Surcharge Tax of 50 cents per hour per rental for a car-sharing organization;
provided that for each rental of six hours or more, the tax will not exceed $3 per day;

(3) Requires car-sharing organizations to be registered pursuant to section 251-3, Hawaii Revised Statutes (HRS), but exempts them from the Rental Motor Vehicle and Tour Vehicle Surcharge Tax pursuant to section 251-2, HRS;

(4) Exempts rental motor vehicles and tour vehicles from the Car-sharing Vehicle Surcharge Tax; and

(5) Amends the amount of the one-time registration fee pursuant to section 251-3, HRS.

The Department of Transportation; Department of Planning and Permitting of the City and County of Honolulu; Blue Planet Foundation; Hawaii Bicycling League; EAN Holdings, LLC; Pacific Resource Partnership; car2go; Ulupono Initiative; and several concerned individuals testified in support of this measure. The Department of Health, Office of Planning, Department of Taxation, and Tax Foundation of Hawaii commented on this measure.

Your Committee has amended this measure by:

(1) Amending the Car-sharing Vehicle Surcharge Tax to 25 cents per half-hour, or any portion of a half-hour, that a rental motor vehicle is rented or leased by a car-sharing organization;

(2) Providing that the tax be assessed in a manner as provided for the Rental Motor Vehicle and Tour Vehicle Surcharge Tax;

(3) Specifying that an organization qualifying as a car-sharing organization that is registered pursuant to section 251-3, HRS, and subject to the Car-sharing Vehicle Surcharge Tax, will not also be subject to the Rental Motor Vehicle and Tour Vehicle Surcharge Tax; provided that any organization registered pursuant to section 251-3, HRS, will be subject to at least one surcharge imposed by chapter 251, HRS;

(4) Clarifying that the average paid use period for all vehicles provided by a car-sharing organization during any taxable period is six hours or less;
(5) Removing the amendment to the amount of the one-time registration fee pursuant to section 251-3, HRS;

(6) Allowing the passing on of the Car-sharing Vehicle Surcharge Tax and Rental Motor Vehicle and Tour Vehicle Surcharge Tax to the payor-organization's members; and

(7) Making other technical, nonsubstantive amendments for purposes of clarity, style, and consistency.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2731, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2731, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Transportation,

RYAN I. YEMANE, Chair
**Record of Votes of the Committee on Transportation**

<table>
<thead>
<tr>
<th>TRN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
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<td>2. TAKAYAMA, Gregg (VC)</td>
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<td>3. AQUINO, Henry J.C.</td>
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<td>4. HAR, Sharon E.</td>
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<td>6. ING, Kaniela</td>
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<td>7. NAKASHIMA, Mark M.</td>
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<td>8. TAKUMI, Roy M.</td>
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</table>

**TOTAL (10)**

- Ayes: 9
- Ayes (WR): 1
- Nays: 0
- Excused: 1

The recommendation is: **☑ Adopted**

If joint referral, ____________ did not support recommendation.

Vice Chair's or designee's signature:

Distribution: Original (White) – Committee  Duplicate (Yellow) – Chief Clerk's Office  Duplicate (Pink) – HMSO
A BILL FOR AN ACT

RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to create a car-
sharing vehicle surcharge tax.

SECTION 2. Chapter 251, Hawaii Revised Statutes, is
amended by adding a new section to be appropriately designated
and to read as follows:

§251- Car-sharing vehicle surcharge tax. (a) There is
levied and shall be assessed and collected a car-sharing vehicle
surcharge tax of 25 cents per half-hour, or any portion of a
half-hour, that a rental motor vehicle is rented or leased by a
car-sharing organization; provided that for each rental of six
hours or more, the tax shall be assessed in a manner provided in
section 251-2. The car-sharing vehicle surcharge tax shall be
levied upon the car-sharing organization.

(b) An organization that qualifies as a car-sharing
organization as defined in section 251-1, that is registered
with the department pursuant to section 251-3, and that is
subject to the surcharges imposed by this section shall not be
subject to the surcharges imposed by section 251-2; provided
that any organization registered with the department pursuant to section 251-3 shall be subject to at least one surcharge imposed by this chapter."

SECTION 3. Section 251-1, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

"Car-sharing organization" means a rental motor vehicle lessor that operates a membership program in which:

(1) Self-service access to a fleet of vehicles is provided, with or without requiring a reservation, exclusively to members of the organization who have paid a membership fee;

(2) Members are charged a usage rate, either hourly or by the minute, for each use of a vehicle;

(3) Members are not required to enter into a separate written agreement with the organization each time the member reserves and uses a vehicle; and

(4) The average paid use period for all vehicles provided by the organization during any taxable period is six hours or less."

SECTION 4. Chapter 251, Hawaii Revised Statutes, is amended by amending its title to read as follows:

SB2731 HD1 HMS 2014-2535
CHAPTER 251

RENTAL MOTOR VEHICLE AND, TOUR VEHICLE, AND CAR-SHARING
VEHICLE SURCHARGE TAX

SECTION 5. Section 251-3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:
(a) Each person as a condition precedent to engaging or continuing in the business of providing rental motor vehicles to the public, engaging or continuing in the tour vehicle operator business, or engaging or continuing in a car-sharing organization business shall register with the director. A person required to so register shall make a one-time payment of $20, upon receipt of which the director shall issue a certificate of registration in such form as the director determines, attesting that the registration has been made. The registration shall not be transferable and shall be valid only for the person in whose name it is issued and for the transaction of business at the place designated therein. The registration, or in lieu thereof a notice stating where the registration may be inspected and examined, shall at all times be conspicuously displayed at the place for which it is issued."

SECTION 6. Section 437D-8.4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:
"(a) Notwithstanding any law to the contrary, a lessor may visibly pass on to a lessee:

(1) The general excise tax attributable to the transaction;

(2) The vehicle license and registration fee and weight taxes, prorated at 1/365th of the annual vehicle license and registration fee and weight taxes actually paid on the particular vehicle being rented for each full or partial twenty-four-hour rental day that the vehicle is rented; provided the total of all vehicle license and registration fees charged to all lessees shall not exceed the annual vehicle license and registration fee actually paid for the particular vehicle rented;

(3) The [rental motor vehicle] surcharge [tax as provided in section 251-2] taxes imposed in chapter 251 attributable to the transaction;

(4) The county surcharge on state tax under section 46-16.8; provided that the lessor itemizes the tax for the lessee; and

(5) The rents or fees paid to the department of transportation under concession contracts negotiated
pursuant to chapter 102, service permits granted pursuant to title 19, Hawaii Administrative Rules, or rental motor vehicle customer facility charges established pursuant to section 261-7; provided that:

(A) The rents or fees are limited to amounts that can be attributed to the proceeds of the particular transaction;

(B) The rents or fees shall not exceed the lessor's net payments to the department of transportation made under concession contract or service permit;

(C) The lessor submits to the department of transportation and the department of commerce and consumer affairs a statement, verified by a certified public accountant as correct, that reports the amounts of the rents or fees paid to the department of transportation pursuant to the applicable concession contract or service permit:

(i) For all airport locations; and

(ii) For each airport location;

(D) The lessor submits to the department of transportation and the department of commerce and consumer affairs a statement, verified by a
certified public accountant as correct, that
reports the amounts charged to lessees:
(i) For all airport locations;
(ii) For each airport location; and
(iii) For each lessee;
(E) The lessor includes in these reports the
methodology used to determine the amount of fees
charged to each lessee; and
(F) The lessor submits the above information to the
department of transportation and the department
of commerce and consumer affairs within three
months of the end of the preceding annual
accounting period or contract year as determined
by the applicable concession agreement or service
permit.

The respective departments, in their sole discretion,
may extend the time to submit the statement required
in this subsection. If the director determines that
an examination of the lessor's information is
inappropriate under this subsection and the lessor
fails to correct the matter within ninety days, the
director may conduct an examination and charge a
lessor an examination fee based upon the cost per hour per examiner for evaluating, investigating, and verifying compliance with this subsection, as well as additional amounts for travel, per diem, mileage, and other reasonable expenses incurred in connection with the examination, which shall relate solely to the requirements of this subsection, and which shall be billed by the departments as soon as feasible after the close of the examination. The cost per hour shall be $40 or as may be established by rules adopted by the director. The lessor shall pay the amounts billed within thirty days following the billing. All moneys collected by the director shall be credited to the compliance resolution fund."
Report Title:
Car-sharing Vehicle Surcharge Tax

Description:
Establishes a car-sharing vehicle surcharge tax. Effective January 1, 2015. (SB2731 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:  

Your Committee on Ways and Means, to which was referred S.B. No. 2731, S.D. 1, entitled:  

"A BILL FOR AN ACT RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX,"  

begs leave to report as follows:  

The purpose and intent of this measure is to establish a car-sharing vehicle surcharge tax.  

Your Committee received written comments in support of this measure from the Department of Transportation, Blue Planet Foundation, Car2go, Sierra Club of Hawaii, and Ulupono Initiative. Written comments in opposition were received from EAN Holdings, LLC. The Department of Taxation, Department of Health, Office of Planning, and Tax Foundation of Hawaii submitted written comments on the measure.  

Your Committee finds that car-sharing provides an alternative to vehicle ownership and has the potential to significantly reduce traffic congestion, greenhouse gas emissions, and transportation costs for households and businesses. Your Committee also finds that car-sharing organizations are currently subject to the rental motor vehicle surcharge tax under section 251-2, Hawaii Revised Statutes, which is imposed at a flat daily rate. Your Committee believes this is excessive, given that, unlike traditional car rentals, car-sharing usually involves renting a vehicle by the hour, rather than by the day. This measure is intended to
establish a more equitable surcharge tax for car-sharing organizations.

Your Committee has amended this measure by:

(1) Specifying that the rate of the surcharge tax shall be 50 cents per hour per rental, up to a maximum of $3 per day;

(2) Clarifying that a car-sharing organization is a rental motor lessor;

(3) Deleting the requirements that:
   
   (A) The average paid use period for all vehicles provided by a car-sharing organization during any calendar year is four hours or less; and

   (B) At least sixty per cent of all vehicle rentals made by a car-sharing organization during the prior calendar year be made to residents of Hawaii;

(4) Changing the registration fee required under section 251-3, Hawaii Revised Statutes, to an unspecified amount;

(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. 2731, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2731, S.D. 2.
Respectfully submitted on behalf of the members of the Committee on Ways and Means,

DAVID Y. IGE, Chair
The Senate
Twenty-Seventh Legislature
State of Hawai‘i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 2731, SD1 Committee Referral: TIA, WAM Date: 2-25-14

☐ The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to:

The Recommendation is:
☐ Pass, unamended 2312 ☐ Pass, with amendments 2311 ☐ Hold 2310 ☐ Recommit 2313

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<th>Aye (WR)</th>
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<th>Excused</th>
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<td>KIDANI, Michelle N. (VC)</td>
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<td>CHUN OAKLAND, Suzanne</td>
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Recommendation: ☑ Adopted ☐ 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

Revised: 07/01/13
A BILL FOR AN ACT

RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to create a car-sharing vehicle surcharge tax.

SECTION 2. Chapter 251, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

§251- Car-sharing vehicle surcharge tax. (a) There is levied and shall be assessed and collected a car-sharing vehicle surcharge tax of 50 cents per hour per rental for a car-sharing organization; provided that for each rental of six hours or more, the tax shall be assessed at no more than $3 per day.

(b) A car-sharing organization that is registered with the director pursuant to section 251-3 shall be subject to the surcharges imposed by this section and shall not be subject to the surcharges imposed by section 251-2. All rental motor vehicles and tour vehicles shall be subject to the surcharges imposed by section 251-2 and shall not be subject to the surcharge imposed by this section.
SECTION 3. Chapter 251, Hawaii Revised Statutes, is amended by amending its title to read as follows:

"[{}CHAPTER 251[{}]

RENTAL MOTOR VEHICLE AND TOUR VEHICLE, AND CAR-SHARING VEHICLE SURCHARGE TAX"

SECTION 4. Section 251-1, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

"Car-sharing organization" means a rental motor vehicle lessor that operates a membership program in which:

(1) Self-service access to a fleet of vehicles is provided, with or without requiring a reservation, exclusively to members of the organization who have paid a membership fee;

(2) Members are charged a usage rate, either hourly or by the minute, for each use of a vehicle; and

(3) Members are not required to enter into a separate written agreement with the organization each time the member reserves and uses a vehicle."

SECTION 5. Section 251-3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:
"(a) Each person as a condition precedent to engaging or continuing in the business of providing rental motor vehicles to the public or engaging or continuing in the tour vehicle operator business, or engaging or continuing in a car-sharing organization business shall register with the director. A person required to so register shall make a one-time payment of $________, upon receipt of which the director shall issue a certificate of registration in such form as the director determines, attesting that the registration has been made. The registration shall not be transferable and shall be valid only for the person in whose name it is issued and for the transaction of business at the place designated therein. The registration, or in lieu thereof a notice stating where the registration may be inspected and examined, shall at all times be conspicuously displayed at the place for which it is issued."

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2050.
Report Title: Car-sharing Vehicle Surcharge Tax

Description: Establishes a car-sharing vehicle surcharge tax. Effective 7/1/2050. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Transportation and International Affairs, to which was referred S.B. No. 2731 entitled:

"A BILL FOR AN ACT RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a car-sharing vehicle surcharge tax.

Your Committee received testimony in support of this measure from the Department of Transportation, City and County of Honolulu Department of Planning and Permitting, City and County of Honolulu Department of Transportation Services, Car2Go, Ulupono Initiative, Hawaii Energy Policy Forum, and two individuals. Your Committee received testimony in opposition to this measure from Enterprise Rent-A-Car. Your Committee received comments on this measure from the Department of Taxation and the Tax Foundation of Hawaii.

Your Committee finds that car-sharing is a green transportation innovation that can significantly reduce vehicle miles traveled, oil imports, greenhouse gas emissions, and household transportation costs for Hawaii residents. Car-sharing is a fairly new transportation innovation in the United States that has emerged only in the last ten years. Unlike traditional car rentals, car-sharing is not aimed at tourists or individuals who are getting a personal vehicle repaired. Car-sharing is generally rented by the minute or by the hour, rather than by the day. Car-sharing members are persons who either cannot afford to
or prefer not to own their own vehicles but occasionally need access to vehicles to run errands. Car-sharing enables them to enjoy the benefits of automobile access without the high fixed costs and other concerns that come with car ownership.

Your Committee has amended this measure by:

(1) Making the surcharge tax pro rata on an hourly basis with a per day charge;

(2) Exempting car-sharing organizations that are registered with the Director of Taxation and subject to the car-sharing vehicle surcharge tax from the rental motor vehicle surcharge tax and tour vehicle surcharge tax; and

(3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Transportation and International Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2731, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2731, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on Transportation and International Affairs,

J. PALANI ENGLISH, Chair
The Senate
Twenty-Seventh Legislature
State of Hawai‘i

Record of Votes
Committee on Transportation and International Affairs
TIA

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<td>SB 2731</td>
<td>TIA, WAM</td>
<td>02-11-14</td>
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The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to: 

The Recommendation is:
- [X] Pass, with amendments
- [ ] Pass, unamended
- [ ] Hold
- [ ] Recomit

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<tr>
<th>Members</th>
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TOTAL: 6 Ayes, 1 Nay, 0 Excused

Recommendation: [X] Adopted

Chair’s or Designee’s Signature:

Distribution: Original File with Committee Report
Yellow Clerk’s Office
Pink Drafting Agency
Goldenrod Committee File Copy

*Only one measure per Record of Votes

Revised: 01/09/13
A BILL FOR AN ACT

RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that car-sharing is a green transportation innovation that can significantly reduce vehicle miles traveled, oil imports, greenhouse gas emissions, and household transportation costs for Hawaii residents. Car-sharing is a fairly new transportation innovation in the United States that has emerged only in the last ten years. Unlike traditional car rentals, car-sharing is not aimed at tourists or individuals who are getting a personal vehicle repaired. Car-sharing is generally rented by the minute or by the hour, rather than by the day. Car-sharing members are persons who either cannot afford to or prefer not to own their own vehicles but occasionally need access to vehicles to run errands. Car-sharing enables them to enjoy the benefits of automobile access without the high fixed costs and other concerns that come with car ownership.

The purpose of this Act is to create a car-sharing vehicle surcharge tax.
SECTION 2. Chapter 251, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§251- Car-sharing vehicle surcharge tax. (a) There is levied and shall be assessed and collected a car-sharing vehicle surcharge tax of $ per day, prorated on an hourly basis and rounded upward to the next hour, on each vehicle available for use or partially available for use during each month by members of a car-sharing organization. The car-sharing vehicle surcharge tax shall be levied upon the car-sharing organization.

(b) A car-sharing organization that is registered with the director pursuant to section 251-3 shall be subject to the surcharge imposed by this section and shall not be subject to the surcharges imposed by section 251-2. All rental motor vehicles and tour vehicles shall be subject to the surcharges imposed by section 251-2 and shall not be subject to the surcharge imposed by this section."

SECTION 3. Chapter 251, Hawaii Revised Statutes, is amended by amending its title to read as follows:

"[CHAPTER 251]"
RENTAL MOTOR VEHICLE [AND], TOUR VEHICLE, AND CAR-SHARING VEHICLE SURCHARGE TAX"

SECTION 4. Section 251-1, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

"Car-sharing organization" means an organization that operates a membership program in which:

(1) Self-service access to a fleet of vehicles is provided, with or without requiring a reservation, exclusively to members of the organization who have paid a membership fee;

(2) Members are charged a usage rate, either hourly or by the minute, for each use of a vehicle;

(3) Members are not required to enter into a separate written agreement with the organization each time the member reserves and uses a vehicle;

(4) The average paid use period for all vehicles provided by the organization during any calendar year is four hours or less; and

(5) At least sixty per cent of all vehicle rentals made by the organization during the prior calendar year were made to residents of Hawaii."
SECTION 5. Section 251-3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Each person as a condition precedent to engaging or continuing in the business of providing rental motor vehicles to the public or engaging or continuing in the tour vehicle operator business or a car-sharing organization business shall register with the director. A person required to so register shall make a one-time payment of $20, upon receipt of which the director shall issue a certificate of registration in such form as the director determines, attesting that the registration has been made. The registration shall not be transferable and shall be valid only for the person in whose name it is issued and for the transaction of business at the place designated therein. The registration, or in lieu thereof a notice stating where the registration may be inspected and examined, shall at all times be conspicuously displayed at the place for which it is issued."

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2014.
Report Title:
Car-sharing Vehicle Surcharge Tax

Description:
Establishes a car-sharing vehicle surcharge tax, set at a flat rate per day and prorated on an hourly basis. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
A BILL FOR AN ACT

RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that car-sharing is a green transportation innovation that can significantly reduce vehicle miles traveled, oil imports, greenhouse gas emissions, and household transportation costs for Hawaii residents. Car-sharing is a fairly new transportation innovation in the United States that has emerged only in the last ten years. Unlike traditional car rentals, car-sharing is not aimed at tourists or individuals who are getting a personal vehicle repaired. Car-sharing is rented by the minute or by the hour, rather than by the day. Car-sharing members are persons who either cannot afford to or prefer not to own their own vehicles but occasionally need access to vehicles to run errands. Car-sharing enables them to enjoy the benefits of automobile access without the high fixed costs and other concerns that come with car ownership.

The purpose of this Act is to create a car-sharing vehicle surcharge tax.
SECTION 2. Chapter 251, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§251- Car-sharing vehicle surcharge tax. There is levied and shall be assessed and collected a car-sharing vehicle surcharge tax of $ for each vehicle available for use or partially available for use during each month by members of a car-sharing organization. The car-sharing vehicle surcharge tax shall be levied upon the car-sharing organization."

SECTION 3. Chapter 251, Hawaii Revised Statutes, is amended by amending its title to read as follows:

"[{}CHAPTER 251{]}

RENTAL MOTOR VEHICLE [AND], TOUR VEHICLE, AND CAR-SHARING VEHICLE SURCHARGE TAX"

SECTION 4. Section 251-1, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

"Car-sharing organization" means an organization that operates a membership program in which:

(1) Self-service access to a fleet of vehicles is provided, with or without requiring a reservation,
exclusively to members of the organization who have paid a membership fee;

(2) Members are charged a usage rate, either hourly or by the minute, for each use of a vehicle;

(3) Members are not required to enter into a separate written agreement with the organization each time the member reserves and uses a vehicle;

(4) The average paid use period for all vehicles provided by the organization during any calendar year is four hours or less; and

(5) At least sixty per cent of all vehicle rentals made by the organization during the prior calendar year were made to residents of Hawaii."

SECTION 5. Section 251-3, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Each person as a condition precedent to engaging or continuing in the business of providing rental motor vehicles to the public or engaging or continuing in the tour vehicle operator business or a car-sharing organization business shall register with the director. A person required to so register shall make a one-time payment of $20, upon receipt of which the director shall issue a certificate of registration in such form
as the director determines, attesting that the registration has been made. The registration shall not be transferable and shall be valid only for the person in whose name it is issued and for the transaction of business at the place designated therein. The registration, or in lieu thereof a notice stating where the registration may be inspected and examined, shall at all times be conspicuously displayed at the place for which it is issued."

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2014.

INTRODUCED BY:  

[Signatures]
Report Title:
Car-sharing Vehicle Surcharge Tax

Description:
Establishes a car-sharing vehicle surcharge tax.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
# SB2731 SD2 HD2

**Measure Title:** RELATING TO A CAR-SHARING VEHICLE SURCHARGE TAX.

**Report Title:** Car-sharing Vehicle Surcharge Tax

**Description:** Establishes a car-sharing vehicle surcharge tax. (SB2731 HD2)

**Companion:** HB1894

**Package:** None

**Current Referral:** TRN, FIN

**Introducer(s):** ENGLISH, BAKER, CHUN OAKLAND, GABBARD, GALUTERIA, KEITH-AGARAN, KIDANI, Ige, Ihara, Shimabukuro, Solomon

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<th>Sort by Date</th>
<th>Status Text</th>
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<tr>
<td>1/17/2014 S</td>
<td>Introduced.</td>
</tr>
<tr>
<td>1/21/2014 S</td>
<td>Passed First Reading.</td>
</tr>
<tr>
<td>1/21/2014 S</td>
<td>Referred to TIA, WAM.</td>
</tr>
<tr>
<td>2/6/2014 S</td>
<td>The committee(s) on TIA has scheduled a public hearing on 02-11-14 1:16PM in conference room 224.</td>
</tr>
<tr>
<td>2/11/2014 S</td>
<td>The committee(s) on TIA recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in TIA were as follows: 6 Aye(s): Senator(s) English, Dela Cruz, Espero, Kahele, Keith-Agaran, Solomon; Aye(s) with reservations: none ; 1 No(es): Senator(s) Slom; and 2 Excused: Senator(s) Gabbard, Kouchi.</td>
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<tr>
<td>2/13/2014 S</td>
<td>Reported from TIA (Stand. Com. Rep. No. 2344) with recommendation of passage on Second Reading, as amended (SD 1) and referral to WAM.</td>
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<tr>
<td>2/13/2014 S</td>
<td>Report adopted; Passed Second Reading, as amended (SD 1) and referred to WAM.</td>
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<tr>
<td>2/21/2014 S</td>
<td>The committee(s) on WAM will hold a public decision making on 02-25-14 9:20AM in conference room 211.</td>
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<td>2/25/2014 S</td>
<td>The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 11 Aye(s): Senator(s) Ige, Kidani, Chun Oakland, English, Espero, Kahele, Keith-Agaran, Kouchi, Ruderman, L. Thielen, Tokuda; Aye(s) with reservations: none ; 1 No(es): Senator(s) Slom; and 1 Excused: Senator(s) Dela Cruz.</td>
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<tr>
<td>3/4/2014 H</td>
<td>Received from Senate (Sen. Com. No. 274) in amended form (SD 2).</td>
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<td>3/6/2014 H</td>
<td>Pass First Reading</td>
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<td>3/6/2014 H</td>
<td>Referred to TRN, FIN, referral sheet 28</td>
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<td>3/7/2014 H</td>
<td>Bill scheduled to be heard by TRN on Wednesday, 03-12-14 10:30AM in House conference room 309.</td>
</tr>
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<td>3/12/2014 H</td>
<td>The committees on TRN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 9 Ayes: Representative(s) Yamane, Takayama, Aquino, Ichiyama, Ing, Nakashima, Takumi, Yamashita, Fukumoto; Ayes with reservations: none; Noes: none; and 1 Excused: Representative(s) Har.</td>
</tr>
<tr>
<td>3/19/2014 H</td>
<td>Reported from TRN (Stand. Com. Rep. No. 1026-14) as amended in HD 1, recommending passage on Second Reading and referral to FIN.</td>
</tr>
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<td>3/19/2014 H</td>
<td>Passed Second Reading as amended in HD 1 and referred to the committee(s) on FIN with Representative(s) Fale voting aye with reservations; Representative(s) McDermott voting no (1) and Representative(s) Takai, Thielen excused (2).</td>
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<td>Date</td>
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S = Senate | H = House | D = Data Systems | $ = Appropriation measure | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

**SB2731 SD2 HD2**
June 24, 2014

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 24, 2014, the following bill was signed into law:

SB2779 SD1 HD1 CD1 RELATING TO FINANCIAL AUDIT OF THE STATE OF HAWAII BY THE LEGISLATIVE AUDITOR
ACT 136 (14)

Sincerely,

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO FINANCIAL AUDIT OF THE STATE OF HAWAII BY THE LEGISLATIVE AUDITOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to specifically authorize the department of taxation to release certain otherwise confidential information to the auditor or the auditor's authorized agents, for the purpose of conducting the annual certified financial audit pursuant to section 23-5, Hawaii Revised Statutes. This measure also ensures that the auditor and its authorized agents keep the disclosed information confidential by increasing the class of offense for unlawful disclosure from a misdemeanor to a class C felony.

2 SECTION 2. Section 23-5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) The auditor may examine and inspect all accounts, books, records, files, papers, and documents and all financial affairs of every department, office, agency, and political subdivision[—]; provided that:

1 Upon written request by the auditor, the department of taxation shall provide to the auditor access to tax
returns but only to the extent necessary and relevant to the scope of the comprehensive annual financial report audit of the State; and

(2) Tax return information provided to the auditor by the department of taxation pursuant to paragraph (1) shall be considered working papers of the auditor pursuant to section 23-9.5."

SECTION 3. Section 231-18, Hawaii Revised Statutes, is amended to read as follows:

"§231-18 [Federal or other tax officials] Tax and other officials permitted to inspect returns; reciprocal provisions. Notwithstanding the provisions of any law making it unlawful for any person, officer, or employee of the State to make known information imparted by any tax return or permit any tax return to be seen or examined by any person, it shall be lawful to [permit]:

(1) Permit a duly accredited tax official of the United States, any state or territory, any county of this State, or the Multistate Tax Commission to inspect any tax return of any taxpayer[; or to furnish];

(2) Furnish to an official, commission, or the authorized representative thereof an abstract of the return or
supply the official, commission, or the authorized
representative thereof with information concerning any
item contained in the return or disclosed by the
report of any investigation of the return or of the
subject matter of the return for tax purposes only[–];
or
(3) Provide tax return information to the auditor pursuant
to section 23-5(a).

The Multistate Tax Commission may make the information available
to a duly accredited tax official of the United States, any
state or territory, or the authorized representative thereof,
for tax purposes only."

SECTION 4. Section 235-116, Hawaii Revised Statutes, is
amended to read as follows:

"§235-116 Disclosure of returns unlawful; penalty. All
tax returns and return information required to be filed under
this chapter shall be confidential, including any copy of any
portion of a federal return [which] that may be attached to a
state tax return, or any information reflected in the copy of
[such] the federal return. It shall be unlawful for any person,
or any officer or employee of the State, including the auditor
or the auditor's agent with regard to tax return information
obtained pursuant to section 23-5(a), to make known

intentionally information imparted by any income tax return or
estimate made under sections 235-92, 235-94, 235-95, and 235-97
or wilfully to permit any income tax return or estimate so made
or copy thereof to be seen or examined by any person other than
the taxpayer or the taxpayer's authorized agent, persons duly
authorized by the State in connection with their official
duties, the Multistate Tax Commission or the authorized
representative thereof, except as otherwise provided by law.[r

Any offense against the foregoing provisions shall be
punished by a fine not exceeding $500 or by imprisonment not
exceeding one year, or both.] punishable as a class C felony."

SECTION 5. Section 237-34, Hawaii Revised Statutes, is
amended by amending subsection (b) to read as follows:

"(b) All tax returns and return information required to be
filed under this chapter, and the report of any investigation of
the return or of the subject matter of the return, shall be
confidential. It shall be unlawful for any person or any
officer or employee of the State, including the auditor or the
auditor's agent with regard to tax return information obtained
pursuant to section 23-5(a), to intentionally make known
information imparted by any tax return or return information
filed pursuant to this chapter, or any report of any
investigation of the return or of the subject matter of the
return, or to wilfully permit any [seen] return, return
information, or report so made, or any copy thereof, to be seen
or examined by any person; provided that for tax purposes only
the taxpayer, the taxpayer's authorized agent, or persons with a
material interest in the return, return information, or report
may examine them. Unless otherwise provided by law, persons
with a material interest in the return, return information, or
report shall include:

(1) Trustees;
(2) Partners;
(3) Persons named in a board resolution or a one per cent
shareholder in the case of a corporate return;
(4) The person authorized to act for a corporation in
dissolution;
(5) The shareholder of an S corporation;
(6) The personal representative, trustee, heir, or
beneficiary of an estate or trust in the case of the
estate's or decedent's return;
(7) The committee, trustee, or guardian of any person in
paragraphs (1) [te] through (6) who is incompetent;
(8) The trustee in bankruptcy or receiver, and the attorney-in-fact of any person in paragraphs (1) through (7);

(9) Persons duly authorized by the State in connection with their official duties;

(10) Any duly accredited tax official of the United States or of any state or territory;

(11) The Multistate Tax Commission or its authorized representative;

(12) Members of a limited liability company; and

(13) A person contractually obligated to pay the taxes assessed against another when the latter person is under audit by the department.

Any violation of this subsection shall be a [misdemeanor] class C felony."

SECTION 6. Section 237D-13, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) All tax returns and return information required to be filed under this chapter, and the report of any investigation of the return or of the subject matter of the return, shall be confidential. It shall be unlawful for any person or any officer or employee of the State, including the auditor or the
auditor's agent with regard to tax return information obtained pursuant to section 23-5(a), to intentionally make known information imparted by any tax return or return information filed pursuant to this chapter, or any report of any investigation of the return or of the subject matter of the return, or to wilfully permit any return, return information, or report so made, or any copy thereof, to be seen or examined by any person; provided that for tax purposes only the taxpayer, the taxpayer's authorized agent, or persons with a material interest in the return, return information, or report may examine them. Unless otherwise provided by law, persons with a material interest in the return, return information, or report shall include:

(1) Trustees;

(2) Partners;

(3) Persons named in a board resolution or a one per cent shareholder in the case of a corporate return;

(4) The person authorized to act for a corporation in dissolution;

(5) The shareholder of an S corporation;
(6) The personal representative, trustee, heir, or 
beneficiary of an estate or trust in the case of the 
estate's or decedent's return;

(7) The committee, trustee, or guardian of any person in 
paragraphs (1) through (6) who is incompetent;

(8) The trustee in bankruptcy or receiver, and the 
attorney-in-fact of any person in paragraphs (1) through (7);

(9) Persons duly authorized by the State in connection 
with their official duties;

(10) Any duly accredited tax official of the United States, 
or of any state or territory, or of any county of this 
State;

(11) The Multistate Tax Commission or its authorized 
representative; and

(12) Members of a limited liability company.

Any violation of this subsection shall be a [misdemeanor] class 
felony. Nothing in this subsection shall prohibit the 
publication of statistics [see] that are classified [as] to 
prevent the identification of particular reports or returns and 
the items of the reports or returns."
SECTION 7. Section 251-12, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) All tax returns and return information required to be filed under this chapter, and the report of any investigation of the return or of the subject matter of the return, shall be confidential. It shall be unlawful for any person or any officer or employee of the State, including the auditor or the auditor's agent with regard to tax return information obtained pursuant to section 23-5(a), to intentionally make known information imparted by any tax return or return information filed pursuant to this chapter, or any report of any investigation of the return or of the subject matter of the return, or to wilfully permit any [such] tax return, return information, or report so made, or any copy thereof, to be seen or examined by any person; provided that for surcharge tax purposes only the lessor or tour vehicle operator, the lessor's or tour vehicle operator's authorized agent, or persons with a material interest in the return, return information, or report may examine them. Unless otherwise provided by law, persons with a material interest in the return, return information, or report shall include:

(1) Trustees;
(2) Partners;

(3) Persons named in a board resolution or a one per cent shareholder in the case of a corporate return;

(4) The person authorized to act for a corporation in dissolution;

(5) The shareholder of an S corporation;

(6) The personal representative, trustee, heir, or beneficiary of an estate or trust in the case of the estate's or decedent's return;

(7) The committee, trustee, or guardian of any person in paragraphs (1) through (6) who is incompetent;

(8) The trustee in bankruptcy or receiver, and the attorney-in-fact of any person in paragraphs (1) through (7);

(9) Persons duly authorized by the State in connection with their official duties;

(10) Any duly accredited tax official of the United States or of any state or territory;

(11) The Multistate Tax Commission or its authorized representative; and

(12) Members of a limited liability company.
Any violation of this subsection shall be a [misdemeanor] class C felony. Nothing in this subsection shall prohibit the publication of statistics [ee] that are classified [as] to prevent the identification of particular reports or returns and the items of the reports or returns."

SECTION 8. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect upon its approval.
Honolulu, Hawaii
APR 25 2014

RE: S.B. No. 2779
S.D. 1
H.D. 1
C.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 2779, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO FINANCIAL AUDIT OF THE STATE OF HAWAII BY THE LEGISLATIVE AUDITOR,"

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 specifically authorize the Department of Taxation to release certain otherwise confidential information to the Office of the Auditor in order for the Auditor to conduct its Comprehensive Annual Financial Report of the State.

This measure also requires the Auditor and the Auditor's authorized agents to maintain the confidentiality of the disclosed information.

Your Committee on Conference finds that section 23-5, Hawaii Revised Statutes, authorizes the Auditor to conduct audits of all...
departments, offices, and agencies of the State and its political subdivisions. Your Committee on Conference notes that concerns have been raised regarding the Department of Taxation's authority to disclose tax returns and other tax records on file with the Department of Taxation that the Auditor requires to conduct the Comprehensive Annual Financial Report of the State. Your Committee on Conference believes that this measure will provide the Department of Taxation with clear authority to disclose tax return information to the Office of the Auditor for the purposes of conducting the Comprehensive Annual Financial Report of the State, while ensuring that taxpayer information remains confidential.

Your Committee on Conference has amended this measure by changing the effective date from July 1, 2030, to upon approval.

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. 2779, 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. 2779, S.D. 1, H.D. 1, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE HOUSE

SYLVIA LUKE, Chair

ON THE PART OF THE SENATE

DAVID Y. IGE, Chair
Record of Votes of a Conference Committee

Bill / Concurrent Resolution No.: SB 2779, SD 1, HD 1
Date/Time: 4/24/14 2:30pm

☑ The recommendation of the House and Senate managers is to pass with amendments (CD).
☑ The Committee is reconsidering its previous decision.
☑ The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure
☑ The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

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<tr>
<th>Senate Managers</th>
<th>A</th>
<th>WR</th>
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TOTAL: 5

TOTAL: 4

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

Senate Recommendation is: ☑ Adopted  ☐ Not Adopted
House Recommendation is: ☑ Adopted  ☐ Not Adopted

Senate Lead Chair's or Designee's Signature: [Signature]
House Lead Chair's or Designee's Signature: [Signature]

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Senate Clerk's Office
Drafting Agency
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Sir:

Your Committee on Finance, to which was referred S.B. No. 2779, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO FINANCIAL AUDIT OF THE STATE OF HAWAII BY THE LEGISLATIVE AUDITOR,"

begs leave to report as follows:

The purpose of this measure is to authorize the Department of Taxation to release confidential tax return information to the Office of the Auditor necessary for the Auditor to conduct its annual certified financial audit of the State.

The Department of Accounting and General Services provided testimony in support of this measure. The Office of the Auditor, Department of Taxation, and Department of the Attorney General provided comments.

Your Committee has amended this measure by:

(1) Specifying that the unlawful disclosure of certain confidential tax return information by officers or employees of the State, including the auditor or its agents, shall be punishable as a class C felony;

(2) Changing its effective date to July 1, 2030, to encourage further discussion; and
(3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2779, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2779, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LUKE, Chair
State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature  

Record of Votes of the Committee on Finance

<table>
<thead>
<tr>
<th>Bill/Resolution No.:</th>
<th>Committee Referral:</th>
<th>Date:</th>
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<tbody>
<tr>
<td>SB 2779, SD1</td>
<td>FIN</td>
<td>4/3/14</td>
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</table>

- The committee is reconsidering its previous decision on the measure.
- The recommendation is to:  
  - Pass, unamended (as is)  
  - Pass, with amendments (HD)  
  - Hold  
  - Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
<thead>
<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
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<tr>
<td>1. LUKE, Sylvia (C)</td>
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<td>2. NISHIMOTO, Scott Y. (VC)</td>
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<td>3. JOHANSON, Aaron Ling (VC)</td>
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<td>4. CULLEN, Ty J.K.</td>
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<td>5. HASHEM, Mark J.</td>
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<td>6. ING, Kaniela</td>
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<td>7. JORDAN, Jo</td>
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<td>8. KOBAYASHI, Bertrand</td>
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<td>9. LOWEN, Nicole E.</td>
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<td>10. MORIKAWA, Dee</td>
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<td>11. ONISHI, Richard H.K.</td>
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<td>12. TAKAYAMA, Gregg</td>
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<td>13. TOKIOKA, James Kunane</td>
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<td>14. WOODSON, Justin H.</td>
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<td>15. YAMASHITA, Kyle T.</td>
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<td>16. FUKUMOTO, Beth</td>
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<td>17. WARD, Gene</td>
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- TOTAL (17)  
  - 10  
  - 2  
  - 3  
  - 2

- The recommendation is:  
  - Adopted  
  - Not Adopted

If joint referral, __________________ did not support recommendation.

Vice Chair's or designee's signature: __________________________

Distribution:  
Original (White) – Committee  
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Duplicate (Pink) – HMSO
A BILL FOR AN ACT

RELATING TO FINANCIAL AUDIT OF THE STATE OF HAWAII BY THE LEGISLATIVE AUDITOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The purpose of this Act is to specifically authorize the department of taxation to release certain otherwise confidential information to the auditor or the auditor's authorized agents, for the purpose of conducting the annual certified financial audit pursuant to section 23-5, Hawaii Revised Statutes. This measure also ensures that the auditor and its authorized agents keep the disclosed information confidential by increasing the class of offense for unlawful disclosure from a misdemeanor to a class C felony.

SECTION 2. Section 23-5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) The auditor may examine and inspect all accounts, books, records, files, papers, and documents and all financial affairs of every department, office, agency, and political subdivision; provided that:

(1) Upon written request by the auditor, the department of taxation shall provide to the auditor access to tax

SB2779 HD1 HMS 2014-3149
returns but only to the extent necessary and relevant
to the scope of the comprehensive annual financial
report audit of the State; and
(2) Tax return information provided to the auditor by the
department of taxation pursuant to paragraph (1) shall
be considered working papers of the auditor pursuant
to section 23-9.5."
SECTION 3. Section 231-18, Hawaii Revised Statutes, is
amended to read as follows:
"§231-18 [Federal or other tax officials] Tax and other
officials permitted to inspect returns; reciprocal provisions.
Notwithstanding the provisions of any law making it unlawful for
any person, officer, or employee of the State to make known
information imparted by any tax return or permit any tax return
to be seen or examined by any person, it shall be lawful to
permit:
(1) Permit a duly accredited tax official of the United
States, any state or territory, any county of this
State, or the Multistate Tax Commission to inspect any
tax return of any taxpayer[; or to furnish];
(2) Furnish to an official, commission, or the authorized
representative thereof an abstract of the return or
supply the official, commission, or the authorized representative thereof with information concerning any item contained in the return or disclosed by the report of any investigation of the return or of the subject matter of the return for tax purposes only; or

(3) Provide tax return information to the auditor pursuant to section 23-5(a).

The Multistate Tax Commission may make the information available to a duly accredited tax official of the United States, any state or territory, or the authorized representative thereof, for tax purposes only."

SECTION 4. Section 235-116, Hawaii Revised Statutes, is amended to read as follows:

"§235-116 Disclosure of returns unlawful; penalty. All tax returns and return information required to be filed under this chapter shall be confidential, including any copy of any portion of a federal return [which] that may be attached to a state tax return, or any information reflected in the copy of [such] the federal return. It shall be unlawful for any person, or any officer or employee of the State, including the auditor or the auditor's agent with regard to tax return information
obtained pursuant to section 23-5(a), to make known
intentionally information imparted by any income tax return or
estimate made under sections 235-92, 235-94, 235-95, and 235-97
or wilfully to permit any income tax return or estimate so made
or copy thereof to be seen or examined by any person other than
the taxpayer or the taxpayer's authorized agent, persons duly
authorized by the State in connection with their official
duties, the Multistate Tax Commission or the authorized
representative thereof, except as otherwise provided by law[and any]. Any offense against the foregoing provisions shall be
punishable as a class C felony.

SECTION 5. Section 237-34, Hawaii Revised Statutes, is
amended by amending subsection (b) to read as follows:
"(b) All tax returns and return information required to be
filed under this chapter, and the report of any investigation of
the return or of the subject matter of the return, shall be
confidential. It shall be unlawful for any person or any
officer or employee of the State, including the auditor or the
auditor's agent with regard to tax return information obtained
pursuant to section 23-5(a), to intentionally make known
information imparted by any tax return or return information
filed pursuant to this chapter, or any report of any investigation of the return or of the subject matter of the return, or to wilfully permit any such return, return information, or report so made, or any copy thereof, to be seen or examined by any person; provided that for tax purposes only, the taxpayer, the taxpayer's authorized agent, or persons with a material interest in the return, return information, or report may examine them. Unless otherwise provided by law, persons with a material interest in the return, return information, or report shall include:

(1) Trustees;
(2) Partners;
(3) Persons named in a board resolution or a one per cent shareholder in the case of a corporate return;
(4) The person authorized to act for a corporation in dissolution;
(5) The shareholder of an S corporation;
(6) The personal representative, trustee, heir, or beneficiary of an estate or trust in the case of the estate's or decedent's return;
(7) The committee, trustee, or guardian of any person in paragraphs (1) [to] through (6) who is incompetent;
(8) The trustee in bankruptcy or receiver, and the attorney-in-fact of any person in paragraphs (1) through (7);

(9) Persons duly authorized by the State in connection with their official duties;

(10) Any duly accredited tax official of the United States or of any state or territory;

(11) The Multistate Tax Commission or its authorized representative;

(12) Members of a limited liability company; and

(13) A person contractually obligated to pay the taxes assessed against another when the latter person is under audit by the department.

Any violation of this subsection shall be a class C felony."

SECTION 6. Section 237D-13, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) All tax returns and return information required to be filed under this chapter, and the report of any investigation of the return or of the subject matter of the return, shall be confidential. It shall be unlawful for any person or any officer or employee of the State, including the auditor or the
auditor's agent with regard to tax return information obtained pursuant to section 23-5(a), to intentionally make known information imparted by any tax return or return information filed pursuant to this chapter, or any report of any investigation of the return or of the subject matter of the return, or to wilfully permit any return, return information, or report so made, or any copy thereof, to be seen or examined by any person; provided that for tax purposes only the taxpayer, the taxpayer's authorized agent, or persons with a material interest in the return, return information, or report may examine them. Unless otherwise provided by law, persons with a material interest in the return, return information, or report shall include:

(1) Trustees;
(2) Partners;
(3) Persons named in a board resolution or a one per cent shareholder in the case of a corporate return;
(4) The person authorized to act for a corporation in dissolution;
(5) The shareholder of an S corporation;
(6) The personal representative, trustee, heir, or 
beneficiary of an estate or trust in the case of the estate's or decedent's return;

(7) The committee, trustee, or guardian of any person in paragraphs (1) through (6) who is incompetent;

(8) The trustee in bankruptcy or receiver, and the attorney-in-fact of any person in paragraphs (1) through (7); 

(9) Persons duly authorized by the State in connection with their official duties;

(10) Any duly accredited tax official of the United States, or of any state or territory, or of any county of this State;

(11) The Multistate Tax Commission or its authorized representative; and 

(12) Members of a limited liability company.

Any violation of this subsection shall be a class C felony. Nothing in this subsection shall prohibit the publication of statistics that are classified to prevent the identification of particular reports or returns and the items of the reports or returns."
SECTION 7. Section 251-12, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) All tax returns and return information required to be filed under this chapter, and the report of any investigation of the return or of the subject matter of the return, shall be confidential. It shall be unlawful for any person or any officer or employee of the State, including the auditor or the auditor's agent with regard to tax return information obtained pursuant to section 23-5(a), to intentionally make known information imparted by any tax return or return information filed pursuant to this chapter, or any report of any investigation of the return or of the subject matter of the return, or to wilfully permit any such tax return, return information, or report so made, or any copy thereof, to be seen or examined by any person; provided that for surcharge tax purposes only the lessor or tour vehicle operator, the lessor's or tour vehicle operator's authorized agent, or persons with a material interest in the return, return information, or report may examine them. Unless otherwise provided by law, persons with a material interest in the return, return information, or report shall include:

(1) Trustees;
(2) Partners;

(3) Persons named in a board resolution or a one per cent shareholder in the case of a corporate return;

(4) The person authorized to act for a corporation in dissolution;

(5) The shareholder of an S corporation;

(6) The personal representative, trustee, heir, or beneficiary of an estate or trust in the case of the estate's or decedent's return;

(7) The committee, trustee, or guardian of any person in paragraphs (1) through (6) who is incompetent;

(8) The trustee in bankruptcy or receiver, and the attorney-in-fact of any person in paragraphs (1) through (7);

(9) Persons duly authorized by the State in connection with their official duties;

(10) Any duly accredited tax official of the United States or of any state or territory;

(11) The Multistate Tax Commission or its authorized representative; and

(12) Members of a limited liability company.
Any violation of this subsection shall be a [misdemeanor] class C felony. Nothing in this subsection shall prohibit the publication of statistics [as] that are classified [as] to prevent the identification of particular reports or returns and the items of the reports or returns."

SECTION 8. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect on July 1, 2030.
Report Title: Auditor; Access to Tax Information

Description:
Specifically authorizes the Auditor to access information in the possession of the Department of Taxation for purposes of conducting financial audits of the State of Hawaii. Requires the Auditor to keep the information confidential. Specifies that intentional and willful disclosure of confidential information is punishable as a class C felony. (SB2779 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 2779 entitled:

"A BILL FOR AN ACT RELATING TO FINANCIAL AUDIT OF THE STATE OF HAWAII BY THE LEGISLATIVE AUDITOR,"

begs leave to report as follows:

The purpose and intent of this measure is to specifically authorize the Auditor to obtain tax return information necessary for conducting the Comprehensive Annual Financial Report audit of the State.

This measure also requires the Auditor and the Auditor's authorized agents to maintain the confidentiality of tax return information obtained under this measure.

The Department of Accounting and General Services, Department of Budget and Finance, and the Office of the Auditor testified in support of this measure. The Department of Taxation orally testified in support of the measure. The Department of the Attorney General and the Tax Foundation of Hawaii submitted comments.

Your Committee finds section 23-5, Hawaii Revised Statutes, authorizes the Auditor to conduct audits of all departments, offices, and agencies of the State and its political subdivisions. However, questions have been raised regarding the Auditor's authority to review tax returns and other tax records on file with the Department of Taxation that the Auditor requires to conduct
the Comprehensive Annual Financial Report audit of the State. This measure will provide the Auditor with clear authority to access relevant and necessary tax return information for financial audits of the State, while ensuring that taxpayer information will remain confidential.

Your Committee has amended this measure by 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 Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2779, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2779, 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,

[Signature]

DAVID Y. SGE, Chair
The Senate
Twenty-Seventh Legislature
State of Hawai‘i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.: SB 2779
Committee Referral: WAM
Date: 2-5-14

☐ The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to: ____________________________

The Recommendation is: ☐ Pass, unamended
☐ Pass, with amendments
☐ Hold
☐ Recommit

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<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
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<tr>
<td>IGE, David Y. (C)</td>
<td>✓</td>
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<td>KIDANI, Michelle N. (VC)</td>
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<td>CHUN OAKLAND, Suzanne</td>
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<td>DELA CRUZ, Donovan M.</td>
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<td>ENGLISH, J. Kalani</td>
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<td>ESPERO, Will</td>
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<td>KAHELE, Gilbert</td>
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<td>KOUCHI, Ronald D.</td>
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<td>SLOM, Sam</td>
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Recommendation: ☐ Adopted ☐ 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

Revised: 11/19/12
A BILL FOR AN ACT

RELATING TO FINANCIAL AUDIT OF THE STATE OF HAWAII BY THE LEGISLATIVE AUDITOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

 SECTION 1. The purpose of this Act is to specifically authorize the department of taxation to release certain otherwise confidential information to the auditor or the auditor's authorized agents, for the purpose of conducting the annual certified financial audit pursuant to section 23-5, Hawaii Revised Statutes, while also requiring the auditor and authorized agents to keep the information confidential.

 SECTION 2. Section 23-5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) The auditor may examine and inspect all accounts, books, records, files, papers, and documents and all financial affairs of every department, office, agency, and political subdivision[[-]]; provided that:

(1) Upon written request by the auditor, the department of taxation shall provide to the auditor access to tax returns but only to the extent necessary and relevant
to the scope of the comprehensive annual financial report audit of the State; and

(2) Tax return information provided to the auditor by the department of taxation pursuant to paragraph (1) shall be considered working papers of the auditor pursuant to section 23-9.5."

SECTION 3. Section 231-18, Hawaii Revised Statutes, is amended to read as follows:

"§231-18 [Federal or other tax officials] Tax and other officials permitted to inspect returns; reciprocal provisions.

Notwithstanding the provisions of any law making it unlawful for any person, officer, or employee of the State to make known information imparted by any tax return or permit any tax return to be seen or examined by any person, it shall be lawful to:

(1) Permit a duly accredited tax official of the United States, any state or territory, any county of this State, or the Multistate Tax Commission to inspect any tax return of any taxpayer;

(2) Furnish to an official, commission, or the authorized representative thereof an abstract of the return or supply the official, commission, or the authorized
representative thereof with information concerning any item contained in the return or disclosed by the report of any investigation of the return or of the subject matter of the return for tax purposes only;
or
(3) Provide tax return information to the auditor pursuant to section 23-5(a).
The Multistate Tax Commission may make the information available to a duly accredited tax official of the United States, any state or territory, or the authorized representative thereof, for tax purposes only."

SECTION 4. Section 235-116, Hawaii Revised Statutes, is amended to read as follows:

"§235-116 Disclosure of returns unlawful; penalty. All tax returns and return information required to be filed under this chapter shall be confidential, including any copy of any portion of a federal return that may be attached to a state tax return, or any information reflected in the copy of such the federal return. It shall be unlawful for any person, or any officer or employee of the State, including the auditor or the auditor's agent with regard to tax return information obtained pursuant to section 23-5(a), to make known
intentionally information imparted by any income tax return or
estimate made under sections 235-92, 235-94, 235-95, and 235-97
or wilfully to permit any income tax return or estimate so made
or copy thereof to be seen or examined by any person other than
the taxpayer or the taxpayer's authorized agent, persons duly
authorized by the State in connection with their official
duties, the Multistate Tax Commission or the authorized
representative thereof, except as provided by law, and any
offense against the foregoing provisions shall be punished by a
fine not exceeding $500 or by imprisonment not exceeding one
year, or both."

SECTION 5. Section 237-34, Hawaii Revised Statutes, is
amended by amending subsection (b) to read as follows:
"(b) All tax returns and return information required to be
filed under this chapter, and the report of any investigation of
the return or of the subject matter of the return, shall be
confidential. It shall be unlawful for any person or any
officer or employee of the State, including the auditor or the
auditor's agent with regard to tax return information obtained
pursuant to section 23-5(a), to intentionally make known
information imparted by any tax return or return information
filed pursuant to this chapter, or any report of any
investment of the return or of the subject matter of the
return, or to wilfully permit any return, return
information, or report so made, or any copy thereof, to be seen
or examined by any person; provided that for tax purposes only,
the taxpayer, the taxpayer's authorized agent, or persons with a
material interest in the return, return information, or report
may examine them. Unless otherwise provided by law, persons
with a material interest in the return, return information, or
report shall include:

(1) Trustees;
(2) Partners;
(3) Persons named in a board resolution or a one per cent
shareholder in the case of a corporate return;
(4) The person authorized to act for a corporation in
dissolution;
(5) The shareholder of an S corporation;
(6) The personal representative, trustee, heir, or
beneficiary of an estate or trust in the case of the
estate's or decedent's return;
(7) The committee, trustee, or guardian of any person in
paragraphs (1) through (6) who is incompetent;
(8) The trustee in bankruptcy or receiver, and the
attorney-in-fact of any person in paragraphs (1) through (7);

(9) Persons duly authorized by the State in connection
with their official duties;

(10) Any duly accredited tax official of the United States
or of any state or territory;

(11) The Multistate Tax Commission or its authorized
representative;

(12) Members of a limited liability company; and

(13) A person contractually obligated to pay the taxes
assessed against another when the latter person is
under audit by the department.

Any violation of this subsection shall be a misdemeanor."

SECTION 6. Section 237D-13, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:

"(a) All tax returns and return information required to be
filed under this chapter, and the report of any investigation of
the return or of the subject matter of the return, shall be
confidential. It shall be unlawful for any person or any
officer or employee of the State, including the auditor or the
auditor's agent with regard to tax return information obtained
pursuant to section 23-5(a), to intentionally make known
information imparted by any tax return or return information
filed pursuant to this chapter, or any report of any
investigation of the return or of the subject matter of the
return, or to wilfully permit any return, return information, or
report so made, or any copy thereof, to be seen or examined by
any person; provided that for tax purposes only the taxpayer,
the taxpayer's authorized agent, or persons with a material
interest in the return, return information, or report may
examine them. Unless otherwise provided by law, persons with a
material interest in the return, return information, or report
shall include:

(1) Trustees;

(2) Partners;

(3) Persons named in a board resolution or a one per cent
shareholder in the case of a corporate return;

(4) The person authorized to act for a corporation in
dissolution;

(5) The shareholder of an S corporation;

(6) The personal representative, trustee, heir, or
beneficiary of an estate or trust in the case of the
estate's or decedent's return;
(7) The committee, trustee, or guardian of any person in paragraphs (1) through (6) who is incompetent;

(8) The trustee in bankruptcy or receiver, and the attorney-in-fact of any person in paragraphs (1) through (7);

(9) Persons duly authorized by the State in connection with their official duties;

(10) Any duly accredited tax official of the United States, or of any state or territory, or of any county of this State;

(11) The Multistate Tax Commission or its authorized representative; and

(12) Members of a limited liability company.

Any violation of this subsection shall be a misdemeanor.

Nothing in this subsection shall prohibit the publication of statistics that are classified to prevent the identification of particular reports or returns and the items of the reports or returns."

SECTION 7. Section 251-12, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) All tax returns and return information required to be filed under this chapter, and the report of any investigation of
the return or of the subject matter of the return, shall be confidential. It shall be unlawful for any person or any officer or employee of the State, including the auditor or the auditor's agent with regard to tax return information obtained pursuant to section 23-5(a), to intentionally make known information imparted by any tax return or return information filed pursuant to this chapter, or any report of any investigation of the return or of the subject matter of the return, or to wilfully permit any [such] tax return, return information, or report so made, or any copy thereof, to be seen or examined by any person; provided that for surcharge tax purposes only the lessor or tour vehicle operator, the lessor's or tour vehicle operator's authorized agent, or persons with a material interest in the return, return information, or report may examine them. Unless otherwise provided by law, persons with a material interest in the return, return information, or report shall include:

(1) Trustees;

(2) Partners;

(3) Persons named in a board resolution or a one per cent shareholder in the case of a corporate return;
(4) The person authorized to act for a corporation in
dissolution;
(5) The shareholder of an S corporation;
(6) The personal representative, trustee, heir, or
beneficiary of an estate ortrust in the case of the
estate's or decedent's return;
(7) The committee, trustee, or guardian of any person in
paragraphs (1) through (6) who is incompetent;
(8) The trustee in bankruptcy or receiver, and the
attorney-in-fact of any person in paragraphs (1) through (7);
(9) Persons duly authorized by the State in connection
with their official duties;
(10) Any duly accredited tax official of the United States
or of any state or territory;
(11) The Multistate Tax Commission or its authorized
representative; and
(12) Members of a limited liability company.
Any violation of this subsection shall be a misdemeanor.
Nothing in this subsection shall prohibit the publication of
statistics that are classified to prevent the
identification of particular reports or returns and the items of
the reports or returns."

SECTION 8. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect upon its approval.
Report Title:
Auditor; Access to Tax Information

Description:
Specifically authorizes the Auditor to access information in the possession of the Department of Taxation for purposes of conducting financial audits of the State of Hawaii; while also requiring the Auditor to keep the information confidential.

(SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
A BILL FOR AN ACT

RELATING TO FINANCIAL AUDIT OF THE STATE OF HAWAI'I BY THE LEGISLATIVE AUDITOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. The purpose of this bill is to specifically authorize the department of taxation to release certain otherwise confidential information to the legislative auditor or the legislative auditor's authorized agents, for the purpose of conducting the annual certified financial audit pursuant to section 23-5, Hawaii Revised Statutes, while also requiring the legislative auditor and its authorized agents to keep the information confidential.

SECTION 2. Section 23-5, Hawaii Revised Statutes, is amended by amending section (a) to read as follows:

"(a) The auditor may examine and inspect all accounts, books, records, files, papers, and documents and all financial affairs of every department, office, agency, and political subdivision[7], including tax return information of the department of taxation, solely with respect to the audit of the comprehensive annual financial report of the State of Hawaii."
Upon written request by the auditor, the department of taxation shall provide to the auditor access to tax returns and the accounts, books, records, files, papers, documents, and financial affairs of the department of taxation but only to the extent necessary and relevant to the scope of annual financial audit of the State. Return information provided to the auditor by the department of taxation shall be considered working papers pursuant to section 23-9.5."

SECTION 3. Section 231-18, Hawaii Revised Statutes, is amended to read as follows:

"§231-18 [Federal or other tax officials] Tax and other officials permitted to inspect returns; reciprocal provisions. Notwithstanding the provisions of any law making it unlawful for any person, officer, or employee of the State to make known information imparted by any tax return or permit any tax return to be seen or examined by any person, it shall be lawful to permit a duly accredited tax official of the United States, any state or territory, any county of this State, [ex] the Multistate Tax Commission to inspect any tax return of any taxpayer, or to furnish to an official, commission, or the authorized representative thereof an abstract of the return or supply the official, commission, or the authorized representative thereof with information concerning any item
contained in the return or disclosed by the report of any
investigation of the return or of the subject matter of the
return for tax purposes only[⊥], or, in the case of the
legislative auditor, only in connection with performing a
financial audit of the State, but only to the extent necessary
and relevant to the scope of the financial audit. The
Multistate Tax Commission may make the information available to
a duly accredited tax official of the United States, any state
or territory, or the authorized representative thereof, for tax
purposes only."

SECTION 4. Section 235-116, Hawaii Revised Statutes, is
amended to read as follows:

"§235-116 Disclosure of returns unlawful; penalty. All
tax returns and return information required to be filed under
this chapter shall be confidential, including any copy of any
portion of a federal return [which] that may be attached to a
state tax return, or any information reflected in the copy of
[such] the federal return. It shall be unlawful for any person,
or any officer or employee of the State, including the
legislative auditor or the legislative auditor's agent in
connection with a financial audit of the State pursuant to
section 23-5, to make known intentionally information imparted
by any income tax return or estimate made under sections 235-92,
235-94, 235-95, and 235-97 or willfully to permit any income tax 
return or estimate so made or copy thereof to be seen or 
examined by any person other than the taxpayer or the taxpayer's 
authorized agent, persons duly authorized by the State in 
connection with their official duties, the Multistate Tax 
Commission or the authorized representative thereof, except as 
provided by law, and any offense against the foregoing 
provisions shall be punished by a fine not exceeding $500 or by 
imprisonment not exceeding one year, or both."

SECTION 5. Section 237-34, Hawaii Revised Statutes, is 
amended by amending subsection (b) to read as follows:

"(b) All tax returns and return information required to be 
filed under this chapter, and the report of any investigation of 
the return or of the subject matter of the return, shall be 
confidential. It shall be unlawful for any person or any 
officer or employee of the State, including the legislative 
auditor or the legislative auditor's agent conducting a 
financial audit of the State pursuant to section 23-5, to 
intentionally make known information imparted by any tax return 
or return information filed pursuant to this chapter, or any 
report of any investigation of the return or of the subject 
matter of the return, or to willfully permit any [such] return, 
return information, or report so made, or any copy thereof, to
be seen or examined by any person; provided that for tax
purposes only, the taxpayer, the taxpayer's authorized agent, or
persons with a material interest in the return, return
information, or report may examine them. Unless otherwise
provided by law, persons with a material interest in the return,
return information, or report shall include:

1. Trustees;

2. Partners;

3. Persons named in a board resolution or a one per cent
shareholder in the case of a corporate return;

4. The person authorized to act for a corporation in
dissolution;

5. The shareholder of an S corporation;

6. The personal representative, trustee, heir, or
beneficiary of an estate or trust in the case of the
estate's or decedent's return;

7. The committee, trustee, or guardian of any person in
paragraphs (1) through (6) who is incompetent;

8. The trustee in bankruptcy or receiver, and the
attorney-in-fact of any person in paragraphs (1) through (7);

9. Persons duly authorized by the State in connection
with their official duties;
(10) Any duly accredited tax official of the United States or of any state or territory;

(11) The Multistate Tax Commission or its authorized representative;

(12) Members of a limited liability company; and

(13) A person contractually obligated to pay the taxes assessed against another when the latter person is under audit by the department.

Any violation of this subsection shall be a misdemeanor."

SECTION 6. Section 237D-13, Hawaii Revised Statutes, is amended by amended subsection (a) to read as follows:

"(a) All tax returns and return information required to be filed under this chapter, and the report of any investigation of the return or of the subject matter of the return, shall be confidential. It shall be unlawful for any person or any officer or employee of the State, including the legislative auditor or the legislative auditor's agent conducting a financial audit of the State pursuant to section 23-5, to intentionally make known information imparted by any tax return or return information filed pursuant to this chapter, or any report of any investigation of the return or of the subject matter of the return, or to willfully permit any return, return information, or report so made, or any copy thereof, to be seen
or examined by any person; provided that for tax purposes only
the taxpayer, the taxpayer's authorized agent, or persons with a
material interest in the return, return information, or report
may examine them. Unless otherwise provided by law, persons
with a material interest in the return, return information, or
report shall include:

(1) Trustees;

(2) Partners;

(3) Persons named in a board resolution or a one per cent
    shareholder in the case of a corporate return;

(4) The person authorized to act for a corporation in
dissolution;

(5) The shareholder of an S corporation;

(6) The personal representative, trustee, heir, or
    beneficiary or an estate or trust in the case of the
    estate's or decedent's return;

(7) The committee, trustee, or guardian of any person in
    paragraphs (1) through (6) who is incompetent;

(8) The trustee in bankruptcy or receiver, and the
    attorney-in-fact of any person in paragraphs (1) through (7);

(9) Persons duly authorized by the State in connection
    with their official duties;
(10) Any duly accredited tax official of the United States
   or of any state or territory, or of any county of
   this State;
(11) The Multistate Tax Commission or its authorized
   representative; and
(12) Members of a limited liability company.

Any violation of this subsection shall be a misdemeanor.
Nothing in this subsection shall prohibit the publication of
statistics [see] that are classified [as] to prevent the
identification of particular reports or returns and the items of
the reports or returns."

SECTION 7. Section 251-12, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:
"(a) All tax returns and return information required to be
filed under this chapter, and the report of any investigation of
the return or of the subject matter of the return, shall be
confidential. It shall be unlawful for any person or any
officer or employee of the State, including the legislative
auditor or the legislative auditor's agent conducting a
financial audit of the State pursuant to section 23-5, to
intentionally make known information imparted by any tax return
or return information filed pursuant to this chapter, or any
report of any investigation of the return or of the subject
matter of the return, or to willfully permit any such tax
return, return information, or report so made, or any copy
thereof, to be seen or examined by any person; provided that for
surcharge tax purposes only the lessor or tour vehicle operator,
the lessor's or tour vehicle operator's authorized agent, or
persons with a material interest in the return, return
information, or report may examine them. Unless otherwise
provided by law, persons with a material interest in the return,
return information, or report shall include:

(1) Trustees;
(2) Partners;
(3) Persons named in a board resolution or a one per cent
    shareholder in the case of a corporate return;
(4) The person authorized to act for a corporation in
dissolution;
(5) The shareholder of an S corporation;
(6) The personal representative, trustee, heir, or
    beneficiary of an estate or trust in the case of
    the estate's or decedent's return;
(7) The committee, trustee, or guardian of any person in
    paragraphs (1) [to] through (6) who is incompetent;
(8) The trustee in bankruptcy or receiver, and the
    attorney-in-fact of any person in paragraphs (1) [to]
through (7);

(9) Persons duly authorized by the State in connection
with their official duties;

(10) Any duly accredited tax official of the United States
or of any state or territory;

(11) The Multistate Tax Commission or its authorized
representative; and

(12) Members of a limited liability company.

Any violation of this subsection shall be a misdemeanor.

Nothing in this subsection shall prohibit the publication of
statistics [se] that are classified so as to prevent the
identification of particular reports or returns and the items of
the reports or returns."

SECTION 8. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect upon its approval.

INTRODUCED BY:                      BY REQUEST

AGS-06(14)
Report Title:
Legislative Auditor; Access to Tax Information

Description:
Specifically authorizes the Legislative Auditor to access information in the possession of the Department of Taxation for purposes of conducting financial audits of the State of Hawaii, while also requiring the Legislative Auditor to keep the information confidential.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
JUSTIFICATION SHEET

DEPARTMENT: Accounting and General Services.

TITLE: A BILL FOR AN ACT RELATING TO FINANCIAL AUDIT OF THE STATE OF HAWAII BY THE LEGISLATIVE AUDITOR.

PURPOSE: To specifically authorize the Legislative Auditor to access from the Department of Taxation certain otherwise confidential taxpayer information for the purpose of conducting the Comprehensive Annual Financial Report (CAFR) audit of the State of Hawaii where such confidential information is relevant and necessary to conduct the audit, while also requiring the Legislative Auditor and its authorized agents to keep that information confidential.

MEANS: Amend sections 23-5(a), 231-18, 235-116, 237-34(b), 237D-13(a), and 251-12(a), Hawaii Revised Statutes.

JUSTIFICATION: The Legislative Auditor has authority to conduct audits of all departments, offices, and agencies of the State and its political subdivisions. However, questions have been raised by the Department of Taxation regarding the Legislative Auditor's authority and ability to review tax returns and other records on file with the Department of Taxation in connection with the annual financial audit of the State of Hawaii, which has hindered the ability of the Legislative Auditor's office to conduct and timely complete financial audits of the State of Hawaii.

Impact on the public: Allowing the Legislative Auditor access to relevant and necessary confidential documents it needs to complete a financial audit of the State of Hawaii.
Hawaii will benefit the public, as timely completion can positively affect the ability of the State to issue general obligation bonds to fund capital improvement projects that benefit the public. In addition, this legislation assures taxpayers that their taxpayer information will remain confidential and are thoroughly protected from intentional and inadvertent disclosure.

Impact on the department and other agencies: The department of taxation will need to make records available and the Legislative Auditor and its agents will need to keep these records confidential.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: None.

OTHER AFFECTED AGENCIES: Department of Taxation and Legislative Auditor.

EFFECTIVE DATE: Upon approval.
Measure Title: RELATING TO FINANCIAL AUDIT OF THE STATE OF HAWAII BY THE LEGISLATIVE AUDITOR.

Report Title: Auditor; Access to Tax Information

Description: Specifically authorizes the Auditor to access information in the possession of the Department of Taxation for purposes of conducting financial audits of the State of Hawaii. Requires the Auditor to keep the information confidential. Specifies that intentional and willful disclosure of confidential information is punishable as a class C felony. (CD1)

Companion: HB2230

Package: Governor

Current Referral: FIN

Introducer(s): KIM (Introduced by request of another party)

Sort by
Date  Status Text

1/23/2014  S Introduced.
1/23/2014  S Passed First Reading.
1/23/2014  S Referred to WAM.
1/24/2014  S The committee(s) on WAM has scheduled a public hearing on 01-30-14 9:00AM in conference room 211.
1/30/2014  S The committee(s) on WAM deferred the measure until 02-05-14 10:00AM in conference room 211.
2/5/2014  S The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 12 Aye(s): Senator(s) Ige, Kidani, Chun Oakland, English, Espero, Kahele, Keith-Agaran, Kouchi, Ruderman, L. Thielen, Tokuda, Slom; Aye(s) with reservations: none; 0 No(es): none; and 1 Excused: Senator(s) Dela Cruz.
2/28/2014  S Reported from WAM (Stand. Com. Rep. No. 2536) with recommendation of passage on Second Reading, as amended (SD 1) and placement on the calendar for Third Reading.
2/28/2014  S Report adopted; Passed Second Reading, as amended (SD 1).
3/4/2014  H Received from Senate (Sen. Com. No. 289) in amended form (SD 1).
3/6/2014  H Pass First Reading
3/6/2014  H Referred to FIN, referral sheet 28
4/3/2014  H Bill scheduled to be heard by FIN on Thursday, 04-03-14 2:05PM in House conference room 308.
4/3/2014  H The committees on FIN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 12 Ayes: Representative(s) Luke, Nishimoto, Johanson, Hashem, Ing, Kobayashi, Lowen, Morikawa, Onishi, Fukumoto; Ayes with reservations: Representative(s) Cullen, Yamashita; 3 Noes: Representative(s) Jordan, Takayama, Tokioka; and 2 Excused: Representative(s) Woodson, Ward.
4/4/2014  H Passed Second Reading as amended in HD 1; placed on the calendar for Third Reading with Representative(s) McKelvey voting aye with reservations; Representative(s) Choy, Fale, Hanohano, Har, Ichiyama, Jordan, Oshiro, Say, Takayama, Tokioka, Yamashita voting no (11) and Representative(s) Cachola, Carroll, Woodson excused (3).
Passed Third Reading with Representative(s) Matsumoto voting aye with reservations; Representative(s) Aquino, Awana, Carroll, Choy, Cullen, Fale, Fukumoto, Hanohano, Har, Ichiyama, Ito, Jordan, Kawakami, McDermott, Oshiro, Say, Takayama, Thielen, Tokioka, Ward, Yamashita, Yamane voting no (22) and none excused (0). Transmitted to Senate.

4/8/2014 H

4/10/2014 S Received from House (Hse. Com. No. 611).

4/10/2014 S Senate disagrees with House amendments.

4/10/2014 H Received notice of disagreement (Sen. Com. No. 670).

4/14/2014 H House Conferees Appointed: Luke Chair; Hashem, Nishimoto, Johanson Members.

4/14/2014 S Senate Conferees Appointed: Ige Chair; Chun Oakland, Kidani, Kouchi, Slom Members.

4/14/2014 H Received notice of Senate conferees (Sen. Com. No. 678).

4/15/2014 S Received notice of appointment of House conferees (Hse. Com. No. 685).

4/21/2014 H Bill scheduled for Conference Committee Meeting on Wednesday, 04-23-14 2:30PM in conference room 309.

4/23/2014 H Conference Committee Meeting will reconvene on Thursday 04-24-14 2:30PM in conference room 309.

4/24/2014 S The Conference committee recommends that the measure be PASSED, WITH AMENDMENTS. The votes of the Senate Conference Managers were as follows: 5 Aye(s): Senator(s) Ige, Chun Oakland, Kidani, Kouchi, Slom; Aye(s) with reservations: none ; 0 No(es): none; and 0 Excused: none.

4/24/2014 H The Conference Committee recommends that the measure be passed, with Amendments. The votes were as follows: 4 Ayes: Representative(s) Luke, Hashem, Nishimoto, Johanson; Ayes with reservations: none; 0 Noes: none; and 0 Excused: none.


4/25/2014 H Forty-eight (48) hours notice Tuesday, 04-29-14.


4/29/2014 S Passed Final Reading, as amended (CD 1). 25 Aye(s); Aye(s) with reservations: Senator(s) Taniguchi . 0 No(es): none. 0 Excused: none.

Passed Final Reading as amended in CD 1 with Representative(s) Cachola, Evans, Takai, Wooley voting aye with reservations; Representative(s) Aquino, Awana, Carroll, Choy, Cullen, Fale, Fukumoto, Hanohano, Har, Hashem, Ichiyama, Jordan, Kawakami, Matsumoto, McDermott, Oshiro, Say, Takayama, Takumi, Tokioka, Tsuji, Ward, Yamashita, Yamane voting no (24) and Representative(s) Ito excused (1).

4/30/2014 H Received notice of Final Reading (Sen. Com. No. 720).

5/1/2014 S Received notice of passage on Final Reading in House (Hse. Com. No. 751).

5/2/2014 S Enrolled to Governor.


S = Senate | H = House | D = Data Systems | $ = Appropriation measure | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

SB2779 SD1 HD1 CD1
The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 24, 2014, the following bill was signed into law:

HB1772 HD1 SD1 CD1 RELATING TO THE GENERAL EXCISE TAX ACT 143 (14)

Sincerely,

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that pursuant to the authority granted by Congress under title 38 United States Code section 8153, the United States Department of Veterans Affairs (VA) established a new initiative in September 2013 titled Patient-Centered Community Care. Under this program, VA medical centers will have the ability to purchase non-VA medical care for veterans through contracted medical providers when they cannot readily provide the needed care due to geographic inaccessibility or limited capacity.

The legislature further finds that the Patient-Centered Community Care program will augment the health care services provided at VA medical center facilities and under the VA fee basis program. It will provide a vehicle for VA medical centers to work with local health care service providers to give expanded access to health care to 8.6 million veterans of the United States uniformed services, including one hundred twelve thousand who reside in Hawaii.
The purpose and mission of the Patient-Centered Community Care program is to ensure access to high-quality, low-cost health care services for veterans, which is crucial to ensuring military readiness, national defense, and the health and welfare of the residents of the State. The program will also help provide VA medical centers with standardized health care quality metrics, timely return of medical documentation, cost avoidance with fixed rates for services across the board, guaranteed access to care, and enhanced tracking and reporting of non-VA medical care expenditures over traditional non-VA medical care services.

The VA contractors will establish and maintain regional networks of health care providers in various regions of the United States by spring of 2014. On behalf of the VA, the contractor will make advances to health care providers, including doctors, hospitals, and other providers, for costs of health care services provided to veterans under the Patient-Centered Community Care program. Using the medicare payment schedule established by the Centers for Medicare and Medicaid Services, the VA will reimburse the contractor for the costs or advancements made to third party health care providers.
The legislature understands that some uncertainty may exist about whether the amounts received by a contractor of the Patient-Centered Community Care program for the costs or advancements to third party health care providers, on behalf of the federal government, are subject to the state general excise tax. The legislature finds that, to avoid increasing the costs of health care services delivered through the Patient-Centered Community Care program and any adverse consequences to veterans from the increased costs, it is desirable to clarify that the amounts received by a contractor of the Patient-Centered Community Care program are not subject to the state general excise tax.

The purpose of this Act is to clarify that the amounts received by a contractor of the Patient-Centered Community Care program for the costs or advancements to third party health care providers, pursuant to a contract with the United States Department of Veterans Affairs for the administration of the Patient-Centered Community Care program, are excluded from the state general excise tax.

SECTION 2. Section 237-24, Hawaii Revised Statutes, is amended to read as follows:
§237-24 Amounts not taxable. This chapter shall not apply to the following amounts:

1. Amounts received under life insurance policies and contracts paid by reason of the death of the insured;
2. Amounts received (other than amounts paid by reason of death of the insured) under life insurance, endowment, or annuity contracts, either during the term or at maturity or upon surrender of the contract;
3. Amounts received under any accident insurance or health insurance policy or contract or under workers' compensation acts or employers' liability acts, as compensation for personal injuries, death, or sickness, including also the amount of any damages or other compensation received, whether as a result of action or by private agreement between the parties on account of the personal injuries, death, or sickness;
4. The value of all property of every kind and sort acquired by gift, bequest, or devise, and the value of all property acquired by descent or inheritance;
5. Amounts received by any person as compensatory damages for any tort injury to the person, or to the person's character reputation, or received as compensatory
damages for any tort injury to or destruction of
property, whether as the result of action or by
private agreement between the parties (provided that
amounts received as punitive damages for tort injury
or breach of contract injury shall be included in
gross income);

(6) Amounts received as salaries or wages for services
rendered by an employee to an employer;

(7) Amounts received as alimony and other similar payments
and settlements;

(8) Amounts collected by distributors as fuel taxes on
"liquid fuel" imposed by chapter 243, and the amounts
collected by such distributors as a fuel tax imposed
by any Act of the Congress of the United States;

(9) Taxes on liquor imposed by chapter 244D on dealers
holding permits under that chapter;

(10) The amounts of taxes on cigarettes and tobacco
products imposed by chapter 245 on wholesalers or
dealers holding licenses under that chapter and
selling the products at wholesale;
(11) Federal excise taxes imposed on articles sold at retail and collected from the purchasers thereof and paid to the federal government by the retailer;

(12) The amounts of federal taxes under chapter 37 of the Internal Revenue Code, or similar federal taxes, imposed on sugar manufactured in the State, paid by the manufacturer to the federal government;

(13) An amount up to, but not in excess of, $2,000 a year of gross income received by any blind, deaf, or totally disabled person engaging, or continuing, in any business, trade, activity, occupation, or calling within the State; a corporation all of whose outstanding shares are owned by an individual or individuals who are blind, deaf, or totally disabled; a general, limited, or limited liability partnership, all of whose partners are blind, deaf, or totally disabled; or a limited liability company, all of whose members are blind, deaf, or totally disabled;

(14) Amounts received by a producer of sugarcane from the manufacturer to whom the producer sells the sugarcane, where:
(A) The producer is an independent cane farmer, so classed by the Secretary of Agriculture under the Sugar Act of 1948 (61 Stat. 922, Chapter 519) as the Act may be amended or supplemented;

(B) The value or gross proceeds of the sale of the sugar, and other products manufactured from the sugarcane, are included in the measure of the tax levied on the manufacturer under section 237-13(1) or (2);

(C) The producer's gross proceeds of sales are dependent upon the actual value of the products manufactured therefrom or the average value of all similar products manufactured by the manufacturer; and

(D) The producer's gross proceeds of sales are reduced by reason of the tax on the value or sale of the manufactured products;

(15) Money paid by the State or eleemosynary child-placing organizations to foster parents for their care of children in foster homes;

(16) Amounts received by a cooperative housing corporation from its shareholders in reimbursement of funds paid
by the corporation for lease rental, real property
taxes, and other expenses of operating and maintaining
the cooperative land and improvements; provided that
the cooperative corporation is a corporation:

(A) Having one and only one class of stock
outstanding;

(B) Each of the stockholders of which is entitled
solely by reason of the stockholder's ownership
of stock in the corporation, to occupy for
dwelling purposes a house, or an apartment in a
building owned or leased by the corporation; and

(C) No stockholder of which is entitled (either
conditionally or unconditionally) to receive any
distribution not out of earnings and profits of
the corporation except in a complete or partial
liquidation of the corporation; [and]

(17) Amounts received by a managed care support contractor
of the TRICARE program that is established under title
10 United States Code chapter 55, as amended, for the
actual cost or advancement to third party health care
providers pursuant to a contract with the United
States[...]; and
(18) Amounts received by a contractor of the Patient-Centered Community Care program that is established by the United States Department of Veterans Affairs pursuant to title 38 United States Code section 8153, as amended, for the actual costs or advancements to third party health care providers pursuant to a contract with the United States."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2014; provided that the amendments made to section 237-24, Hawaii Revised Statutes, by section 2 of this Act shall not be repealed when that section is reenacted on December 31, 2018, pursuant to section 4 of Act 70, Session Laws of Hawaii 2009, as amended by section 2 of Act 164, Session Laws of Hawaii 2013.

APPROVED this 24 day of JUN, 2014

Neil Abercrombie
GOVERNOR OF THE STATE OF HAWAII
Honolulu, Hawaii

April 25, 2014

RE:  H.B. No. 1772
     H.D. 1
     S.D. 1
     C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir and Madam:

    Your Committee on Conference on the disagreeing vote of the
House of Representatives to the amendments proposed by the Senate in
H.B. No. 1772, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

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 increase access to quality
health care for veterans of the United States Armed Services by
exempting from the General Excise Tax, amounts received by a
contractor of the Patient-Centered Community Care Program
established by the United States Department of Veterans Affairs for
costs or advances to third-party providers pursuant to a contract
with the United States.

    Your Committee on Conference has amended this measure by
changing its effective date to July 1, 2014.

HB1772 CD1 HCCR HMS 2014-3404
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 H.B. No. 1772, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 1772, H.D. 1, S.D. 1, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE SENATE

WILL ESPERO, Chair

JOSH GREEN, Co-Chair

DAVID Y. IGE, Co-Chair

ON THE PART OF THE HOUSE

K. MARK TAKAI, Co-Chair

DELLA AU BELATTI, Co-Chair

SCOTT Y. NISHIMOTO, Co-Chair
**Hawaii State Legislature**

**Record of Votes of a Conference Committee**

<table>
<thead>
<tr>
<th>Bill / Concurrent Resolution No.:</th>
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<tr>
<td>HB 1772, HD 1, SD 1</td>
<td>4/25/14  1:10 p.m.</td>
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</table>

- The recommendation of the House and Senate managers is to pass with amendments (CD).
- The Committee is reconsidering its previous decision.

### Senate Managers

<table>
<thead>
<tr>
<th>Name</th>
<th>A</th>
<th>WR</th>
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<tr>
<td>ESPERO, Will, Chr.</td>
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### House Managers

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<td>TAKAI, K. Mark, Co-Chr.</td>
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**TOTAL:** 2

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

### Senate Recommendation

- **Adopted**
- Not Adopted

### House Recommendation

- **Adopted**
- Not Adopted

**Senate Lead Chair's or Designee's Signature:**

**House Lead Chair's or Designee's Signature:**

**Distribution:**

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- Yellow House Clerk's Office
- Pink Senate Clerk's Office
- Goldenrod Drafting Agency
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 1772, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to facilitate access to quality health care for veterans of the United States Armed Services.

More specifically, this measure clarifies that the amounts received by a contractor in payment for the costs or advancements to third party health care providers, pursuant to a contract with the United States Department of Veterans Affairs for the administration of the Patient-Centered Community Care program, are excluded from the state general excise tax.

Your Committee received written comments in support of this measure from TriWest Healthcare Alliance. The Department of Taxation and the Tax Foundation of Hawaii submitted written comments on the measure.

Your Committee finds that the Patient-Centered Community Care program is a program of the United States Department of Veterans Affairs to ensure access to high-quality, low-cost health care services for veterans. On behalf of the United States Department of Veterans Affairs, contractors make advances to third party health care providers for costs of health care services provided
to veterans under the program. The United States Department of Veterans Affairs subsequently reimburses the contractor for the costs or advancements made to third party health care providers. Your Committee also finds that some uncertainty may exist as to whether the reimbursements received by the contractors are subject to the state general excise tax. Your Committee believes that this measure will eliminate any uncertainty by clarifying that the reimbursements are not subject to the state general excise tax.

Your Committee has amended this measure by:

(1) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and

(2) 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 H.B. No. 1772, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1772, H.D. 1, S.D. 1.

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

DAVID Y. IGE, Chair
The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to:

The Recommendation is:

<table>
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<th>Pass, unamended</th>
<th>Pass, with amendments</th>
<th>Hold</th>
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Recommendation: Adopted

Chair's or Designee's Signature: [Signature]

Distribution: Original

File with Committee Report

*Only one measure per Record of Votes*
A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that pursuant to the authority granted by Congress under title 38 United States Code section 8153, the United States Department of Veterans Affairs (VA) established a new initiative in September 2013 titled Patient-Centered Community Care. Under this program, VA medical centers will have the ability to purchase non-VA medical care for veterans through contracted medical providers when they cannot readily provide the needed care due to geographic inaccessibility or limited capacity.

The legislature further finds that the Patient-Centered Community Care program will augment the health care services provided at VA medical center facilities and under the VA fee basis program. It will provide a vehicle for VA medical centers to work with local health care service providers to give expanded access to health care to 8.6 million veterans of the United States uniformed services, including one hundred twelve thousand who reside in Hawaii.
The purpose and mission of the Patient-Centered Community Care program is to ensure access to high-quality, low-cost health care services for veterans, which is crucial to ensuring military readiness, national defense, and the health and welfare of the residents of the State. The program will also help provide VA medical centers with standardized health care quality metrics, timely return of medical documentation, cost avoidance with fixed rates for services across the board, guaranteed access to care, and enhanced tracking and reporting of non-VA medical care expenditures over traditional non-VA medical care services.

The VA contractors will establish and maintain regional networks of health care providers in various regions of the United States by spring of 2014. On behalf of the VA, the contractor will make advances to health care providers, including doctors, hospitals, and other providers, for costs of health care services provided to veterans under the Patient-Centered Community Care program. Using the medicare payment schedule established by the Centers for Medicare and Medicaid Services, the VA will reimburse the contractor for the costs or advancements made to third party health care providers.
The legislature understands that some uncertainty may exist about whether the amounts received by a contractor of the Patient-Centered Community Care program for the costs or advancements to third party health care providers, on behalf of the federal government, are subject to the state general excise tax. The legislature finds that, to avoid increasing the costs of health care services delivered through the Patient-Centered Community Care program and any adverse consequences to veterans from the increased costs, it is desirable to clarify that the amounts received by a contractor of the Patient-Centered Community Care program are not subject to the state general excise tax.

The purpose of this Act is to clarify that the amounts received by a contractor of the Patient-Centered Community Care program for the costs or advancements to third party health care providers, pursuant to a contract with the United States Department of Veterans Affairs for the administration of the Patient-Centered Community Care program, are excluded from the state general excise tax.

SECTION 2. Section 237-24, Hawaii Revised Statutes, is amended to read as follows:
"§237-24 Amounts not taxable. This chapter shall not apply to the following amounts:

(1) Amounts received under life insurance policies and contracts paid by reason of the death of the insured;

(2) Amounts received (other than amounts paid by reason of death of the insured) under life insurance, endowment, or annuity contracts, either during the term or at maturity or upon surrender of the contract;

(3) Amounts received under any accident insurance or health insurance policy or contract or under workers' compensation acts or employers' liability acts, as compensation for personal injuries, death, or sickness, including also the amount of any damages or other compensation received, whether as a result of action or by private agreement between the parties on account of the personal injuries, death, or sickness;

(4) The value of all property of every kind and sort acquired by gift, bequest, or devise, and the value of all property acquired by descent or inheritance;

(5) Amounts received by any person as compensatory damages for any tort injury to the person, or to the person's character reputation, or received as compensatory
damages for any tort injury to or destruction of property, whether as the result of action or by private agreement between the parties (provided that amounts received as punitive damages for tort injury or breach of contract injury shall be included in gross income);

(6) Amounts received as salaries or wages for services rendered by an employee to an employer;

(7) Amounts received as alimony and other similar payments and settlements;

(8) Amounts collected by distributors as fuel taxes on "liquid fuel" imposed by chapter 243, and the amounts collected by such distributors as a fuel tax imposed by any Act of the Congress of the United States;

(9) Taxes on liquor imposed by chapter 244D on dealers holding permits under that chapter;

(10) The amounts of taxes on cigarettes and tobacco products imposed by chapter 245 on wholesalers or dealers holding licenses under that chapter and selling the products at wholesale;
(11) Federal excise taxes imposed on articles sold at retail and collected from the purchasers thereof and paid to the federal government by the retailer;

(12) The amounts of federal taxes under chapter 37 of the Internal Revenue Code, or similar federal taxes, imposed on sugar manufactured in the State, paid by the manufacturer to the federal government;

(13) An amount up to, but not in excess of, $2,000 a year of gross income received by any blind, deaf, or totally disabled person engaging, or continuing, in any business, trade, activity, occupation, or calling within the State; a corporation all of whose outstanding shares are owned by an individual or individuals who are blind, deaf, or totally disabled; a general, limited, or limited liability partnership, all of whose partners are blind, deaf, or totally disabled; or a limited liability company, all of whose members are blind, deaf, or totally disabled;

(14) Amounts received by a producer of sugarcane from the manufacturer to whom the producer sells the sugarcane, where:
(A) The producer is an independent cane farmer, so
classed by the Secretary of Agriculture under the
Sugar Act of 1948 (61 Stat. 922, Chapter 519) as
the Act may be amended or supplemented;

(B) The value or gross proceeds of the sale of the
sugar, and other products manufactured from the
sugarcane, are included in the measure of the tax
levied on the manufacturer under section 237-
13(1) or (2);

(C) The producer's gross proceeds of sales are
dependent upon the actual value of the products
manufactured therefrom or the average value of
all similar products manufactured by the
manufacturer; and

(D) The producer's gross proceeds of sales are
reduced by reason of the tax on the value or sale
of the manufactured products;

(15) Money paid by the State or eleemosynary child-placing
organizations to foster parents for their care of
children in foster homes;

(16) Amounts received by a cooperative housing corporation
from its shareholders in reimbursement of funds paid
by the corporation for lease rental, real property
taxes, and other expenses of operating and maintaining
the cooperative land and improvements; provided that
the cooperative corporation is a corporation:

(A) Having one and only one class of stock
outstanding;

(B) Each of the stockholders of which is entitled
solely by reason of the stockholder's ownership
of stock in the corporation, to occupy for
dwelling purposes a house, or an apartment in a
building owned or leased by the corporation; and

(C) No stockholder of which is entitled (either
conditionally or unconditionally) to receive any
distribution not out of earnings and profits of
the corporation except in a complete or partial
liquidation of the corporation; [and]

(17) Amounts received by a managed care support contractor
of the TRICARE program that is established under title
10 United States Code chapter 55, as amended, for the
actual cost or advancement to third party health care
providers pursuant to a contract with the United
States[ ]; and
(18) Amounts received by a contractor of the Patient-
Centered Community Care program that is established by
the United States Department of Veterans Affairs
pursuant to title 38 United States Code section 8153,
as amended, for the actual costs or advancements to
third party health care providers pursuant to a
contract with the United States."

SECTION 3. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2050;
provided that the amendments made to section 237-24, Hawaii
Revised Statutes, by section 2 of this Act shall not be repealed
when that section is reenacted on December 31, 2018, pursuant to
section 4 of Act 70, Session Laws of Hawaii 2009, as amended by
Report Title:
GET; Exemption; Patient-Centered Community Care; Veterans Affairs

Description:
Exempts from the general excise tax amounts received by a contractor of the Patient-Centered Community Care Program established by the United States Department of Veterans Affairs for costs or advances to third party health care providers. Effective 7/1/2050. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committees on Public Safety, Intergovernmental and Military Affairs and Health, to which was referred H.B. No. 1772, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

beg leave to report as follows:

The purpose and intent of this measure is to increase United States Armed Services veterans' access to quality health care by establishing a general excise tax exemption for any amounts received by a contractor of the Patient-Centered Community Care program for the actual costs or advancement to third party health care providers pursuant to a contract with the United States.

Your Committees received testimony in support of this measure from the Department of Taxation; Military Officers Association of America, Hawaii Chapter; and TriWest Healthcare Alliance Inc. Your Committees received comments on this measure from the Tax Foundation of Hawaii.

Your Committees find that the Patient-Centered Community Care program is an innovative solution to help the United States Department of Veterans Affairs' medical centers provide quality and efficient health care to veterans. This program enables the United States Department of Veterans Affairs to work with local community health care providers to give veterans access to high-quality care closer to home.
As affirmed by the records of votes of the members of your Committees on Public Safety, Intergovernmental and Military Affairs and Health that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1772, H.D. 1 and recommend that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Public Safety, Intergovernmental and Military Affairs and Health,

JOSH GREEN, Chair

WILL ESPERO, Chair
The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to:

The Recommendation is:
- [✓] Pass, unamended
- [ ] Pass, with amendments
- [ ] Hold
- [ ] Recommit

<table>
<thead>
<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
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**TOTAL**

|   | 3 | - | - | 2 |

Recommendation: [✓] Adopted [ ] Not Adopted

Chair’s or Designee’s Signature: [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*
The Senate
Twenty-Seventh Legislature
State of Hawai‘i

Record of Votes
Committee on Health
HTH

Bill / Resolution No.:* HB 1772 HD 1
Committee Referral: PSM / HTH, WAM
Date: 3-18-14

☐ The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to:

The Recommendation is:
☑ Pass, unamended
☐ Pass, with amendments
☐ Hold
☐ Recommit

<table>
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<tr>
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TOTAL 3 0 0 2

Recommendation: ☑ Adopted ☐ Not Adopted

Chair’s or Designee’s Signature: [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

Revised: 07/01/13
Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1772 entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose of this measure is to increase access to quality health care for veterans of the United States Armed Services by exempting from the General Excise Tax, amounts received by a contractor of the Patient-Centered Community Care Program for costs associated with veterans' health care provided outside of the Veterans Affairs system pursuant to a contract with the United States.

The Military Officers Association of America, Hawaii Chapter, and TriWest Healthcare Alliance Inc. supported this measure. The Department of Taxation and the Tax Foundation of Hawaii commented on this measure.

Your Committee has amended this measure by making technical amendments including to accurately reflect the federal law that established the Patient-Centered Community Care Program.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1772, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1772, H.D. 1.
Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LUKE, Chair
Bill/Resolution No.: HB 1772  
Committee Referral: VMI/HLT, FIN  
Date: 2/20/2014

- The committee is reconsidering its previous decision on the measure.
- The recommendation is to: ✗ Pass, with amendments (HD)  
  - Pass, unamended (as is)  
  - Hold  
  - Pass short form bill with HD to recommit for future public hearing (recommit)

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<td>17. WARD, Gene</td>
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- TOTAL (17)  

- The recommendation is: ✗ Adopted  
  - Not Adopted  

If joint referral, committee acronym(s) did not support recommendation.

Distribution: Original (White) – Committee  
Duplicate (Yellow) – Chief Clerk’s Office  
Duplicate (Pink) – HMSO
A BILL FOR AN ACT

RELATING TO THE GENERAL EXCISE TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that pursuant to the authority granted by Congress under title 38 United States Code section 8153, the United States Department of Veterans Affairs established a new initiative in September 2013 titled Patient-Centered Community Care for United States Department of Veterans Affairs medical centers. Under this program, United States Department of Veterans Affairs medical centers will have the ability to purchase non-United States Department of Veterans Affairs medical care for veterans through contracted medical providers when they cannot readily provide the needed care due to geographic inaccessibility or limited capacity. The Patient-Centered Community Care program will augment the health care services provided by the United States Department of Veterans Affairs personnel at United States Department of Veterans Affairs medical center facilities and under the United States Department of Veterans Affairs fee basis program. It will provide a vehicle for United States Department of Veterans Affairs medical centers to work with local health care service providers.
providers to give expanded access to health care to 8.6 million veterans of the United States uniformed services, including one hundred twelve thousand who reside in Hawaii.

The legislature further finds that the purpose and mission of the Patient-Centered Community Care program is to ensure access to high-quality, low-cost health care services for veterans, which is crucial to ensuring military readiness, national defense, and the health and welfare of the residents of the State. The program will also help provide United States Department of Veterans Affairs medical centers with standardized health care quality metrics, timely return of medical documentation, cost avoidance with fixed rates for services across the board, guaranteed access to care, and enhanced tracking and reporting of non-United States Department of Veterans Affairs medical care expenditures over traditional non-United States Department of Veterans Affairs medical care services.

The United States Department of Veterans Affairs contractors will establish and maintain regional networks of health care providers in various regions of the United States by spring of 2014. On behalf of the United States Department of Veterans Affairs, the contractor will make advances to health
care providers, including doctors, hospitals, and other
providers, for costs of health care services provided to
veterans under the Patient-Centered Community Care program.
Using the medicare payment schedule, established by the Centers
for Medicare and Medicaid Services, the United States Department
of Veterans Affairs will reimburse the contractor for the costs
or advancements made to third party health care providers.
The legislature understands that some uncertainty may exist
about whether the amounts received by a contractor of the
Patient-Centered Community Care program for the cost or
advancement to third party health care providers, on behalf of
the federal government, are subject to the state general excise
tax. The legislature finds that to avoid increasing the costs
of health care services delivered through the Patient-Centered
Community Care program and any adverse consequences to veterans
from the increased costs, it is desirable to clarify that the
amounts received by a contractor of the Patient-Centered
Community Care program are not subject to the state general
excise tax.
The purpose of this Act is to clarify that the amounts
received by a contractor of the Patient-Centered Community Care
program for the costs or advancement to third party health care
providers, pursuant to a contract with the United States Department of Veterans Affairs for the administration of the Patient-Centered Community Care program, are excluded from the state general excise tax.

SECTION 2. Section 237-24, Hawaii Revised Statutes, is amended to read as follows:

"§237-24 Amounts not taxable. This chapter shall not apply to the following amounts:

(1) Amounts received under life insurance policies and contracts paid by reason of the death of the insured;

(2) Amounts received (other than amounts paid by reason of death of the insured) under life insurance, endowment, or annuity contracts, either during the term or at maturity or upon surrender of the contract;

(3) Amounts received under any accident insurance or health insurance policy or contract or under workers' compensation acts or employers' liability acts, as compensation for personal injuries, death, or sickness, including also the amount of any damages or other compensation received, whether as a result of action or by private agreement between the parties on account of the personal injuries, death, or sickness;
(4) The value of all property of every kind and sort acquired by gift, bequest, or devise, and the value of all property acquired by descent or inheritance;

(5) Amounts received by any person as compensatory damages for any tort injury to the person, or to the person's character reputation, or received as compensatory damages for any tort injury to or destruction of property, whether as the result of action or by private agreement between the parties (provided that amounts received as punitive damages for tort injury or breach of contract injury shall be included in gross income);

(6) Amounts received as salaries or wages for services rendered by an employee to an employer;

(7) Amounts received as alimony and other similar payments and settlements;

(8) Amounts collected by distributors as fuel taxes on "liquid fuel" imposed by chapter 243, and the amounts collected by such distributors as a fuel tax imposed by any Act of the Congress of the United States;

(9) Taxes on liquor imposed by chapter 244D on dealers holding permits under that chapter;
(10) The amounts of taxes on cigarettes and tobacco products imposed by chapter 245 on wholesalers or dealers holding licenses under that chapter and selling the products at wholesale;

(11) Federal excise taxes imposed on articles sold at retail and collected from the purchasers thereof and paid to the federal government by the retailer;

(12) The amounts of federal taxes under chapter 37 of the Internal Revenue Code, or similar federal taxes, imposed on sugar manufactured in the State, paid by the manufacturer to the federal government;

(13) An amount up to, but not in excess of, $2,000 a year of gross income received by any blind, deaf, or totally disabled person engaging, or continuing, in any business, trade, activity, occupation, or calling within the State; a corporation all of whose outstanding shares are owned by an individual or individuals who are blind, deaf, or totally disabled; a general, limited, or limited liability partnership, all of whose partners are blind, deaf, or totally disabled; or a limited liability company, all of whose members are blind, deaf, or totally disabled;
Amounts received by a producer of sugarcane from the manufacturer to whom the producer sells the sugarcane, where:

(A) The producer is an independent cane farmer, so classed by the Secretary of Agriculture under the Sugar Act of 1948 (61 Stat. 922, Chapter 519) as the Act may be amended or supplemented;

(B) The value or gross proceeds of the sale of the sugar, and other products manufactured from the sugarcane, are included in the measure of the tax levied on the manufacturer under section 237-13(1) or (2);

(C) The producer's gross proceeds of sales are dependent upon the actual value of the products manufactured therefrom or the average value of all similar products manufactured by the manufacturer; and

(D) The producer's gross proceeds of sales are reduced by reason of the tax on the value or sale of the manufactured products;
(15) Money paid by the State or eleemosynary child-placing organizations to foster parents for their care of children in foster homes;

(16) Amounts received by a cooperative housing corporation from its shareholders in reimbursement of funds paid by the corporation for lease rental, real property taxes, and other expenses of operating and maintaining the cooperative land and improvements; provided that the cooperative corporation is a corporation:

(A) Having one and only one class of stock outstanding;

(B) Each of the stockholders of which is entitled solely by reason of the stockholder's ownership of stock in the corporation, to occupy for dwelling purposes a house, or an apartment in a building owned or leased by the corporation; and

(C) No stockholder of which is entitled (either conditionally or unconditionally) to receive any distribution not out of earnings and profits of the corporation except in a complete or partial liquidation of the corporation; [and]
(17) Amounts received by a managed care support contractor of the TRICARE program that is established under title 10 United States Code chapter 55, as amended, for the actual cost or advancement to third party health care providers pursuant to a contract with the United States; and

(18) Amounts received by a contractor of the Patient-Centered Community Care program that is established by the United States Department of Veterans Affairs under title 38 United States Code, section 8153, as amended, for the actual costs or advancement to third party health care providers pursuant to a contract with the United States."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2014; provided that the amendments made to section 237-24, Hawaii Revised Statutes, by section 2 of this Act shall not be repealed when that section is reenacted on December 31, 2018, pursuant to section 4 of Act 70, Session Laws of Hawaii 2009, as amended by section 2 of Act 164, Session Laws of Hawaii 2013.
Report Title:
GET; Exemption; Patient-Centered Community Care; Veterans Affairs

Description:
Exempts from the General Excise Tax amounts received by a contractor of the Patient-Centered Community Care Program established by the United States Department of Veterans Affairs for costs associated with health care provided to veterans outside of the Veterans Affairs system. Effective July 1, 2014. (HB1772 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committees on Veterans, Military, & International Affairs, & Culture and the Arts and Health, to which was referred H.B. No. 1772 entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

beg leave to report as follows:

The purpose of this measure is to increase access to quality healthcare for veterans of the Armed Services of the United States by exempting, from the general excise tax, amounts received by a contractor of the Patient-Centered Community Care Program for actual cost or advancement to a third party health care provider pursuant to a contract with the United States government.

The Chamber of Commerce of Hawaii; Military Officers Association of America, Hawaii Chapter; TriWest Healthcare Alliance Inc.; and a concerned individual testified in support of this bill. The Department of Taxation and Tax Foundation of Hawaii provided comments.

Your Committees note the technical concerns raised by the Department of Taxation and respectfully request the Committee on Finance to scrutinize these concerns further should this measure move through the legislative process.

As affirmed by the records of votes of the members of your Committees on Veterans, Military, & International Affairs, & Culture and the Arts and Health that are attached to this report, your Committees are in accord with the intent and purpose of H.B. HB1772 HSCR VMI-HLT HMS 2014-1958
No. 1772 and recommend that it pass Second Reading and be referred to the Committee on Finance.

Respectfully submitted on behalf of the members of the Committees on Veterans, Military, & International Affairs, & Culture and the Arts and Health,

DELLA AU BELATTI, Chair

K. MARK TAKAI, Chair
Record of Votes of the Committee on Veterans, Military, & International Affairs, & Culture and the Arts

<table>
<thead>
<tr>
<th>Bill/Resolution No.:</th>
<th>Committee Referral:</th>
<th>Date:</th>
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<tbody>
<tr>
<td>HB 1772</td>
<td>VM/HIT/FIN</td>
<td>2/12/14</td>
</tr>
</tbody>
</table>

The committee is reconsidering its previous decision on the measure.

The recommendation is:
- [ ] Pass, unamended (as is)
- [ ] Pass, with amendments (HD)
- [ ] Hold
- [ ] Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
<thead>
<tr>
<th>VMI Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
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<tbody>
<tr>
<td>1. TAKAI, K. Mark (C)</td>
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<td>2. ITO, Ken (VC)</td>
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<td>3. AWANA, Karen</td>
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<td>4. BROWSER, Tom</td>
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<td>5. CACHOLA, Romy M.</td>
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<td>6. CHOI, Isaac W.</td>
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<td>7. OHNO, Takashi</td>
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<td>8. ONISHI, Richard H.K.</td>
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<td>9. TSUJI, Clift</td>
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<td>10. MCDERMOTT, Bob</td>
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<td>11. WOOLEY, Jessica</td>
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</table>

TOTAL (11) 4

The recommendation is: [ ] Adopted  [ ] Not Adopted

If joint referral, did not support recommendation.

Vice Chair’s or designee’s signature: [signature]

Distribution: Original (White) – Committee  Duplicate (Yellow) – Chief Clerk’s Office  Duplicate (Pink) – HMSO
### Record of Votes of the Committee on Health

**Bill/Resolution No.:** HB 1772  
**Committee Referral:** VM1 / HLT, FIN  
**Date:** 2/12/14

- The committee is reconsidering its previous decision on the measure.

The recommendation is to:  
- [ ] Pass, unamended (as is)  
- [ ] Pass, with amendments (HD)  
- [ ] Hold  
- [ ] Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
<thead>
<tr>
<th>HLT Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
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<tbody>
<tr>
<td>1. BELATTI, Della Au (C)</td>
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<td>2. MORIKAWA, Dee (VC)</td>
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<td>3. CARROLL, Mele</td>
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<td>4. CREAGAN, Richard</td>
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<td>5. HASHEM, Mark J.</td>
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<td>6. JORDAN, Jo</td>
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<td>7. KOBAYASHI, Bertrand</td>
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<td>8. OSHIRO, Marcus R.</td>
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<td>9. WOODSON, Justin H.</td>
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<td>10. MATSUMOTO, Lauren Kealohilani</td>
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**TOTAL (10) -**  
- 8  
- 2

The recommendation is:  
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- [ ] Not Adopted

If joint referral, _______ committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature: 

**Distribution:**  
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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that pursuant to the authority granted by Congress under title 38 United States Code section 8153, the United States Department of Veterans Affairs established a new initiative in September 2013 titled Patient-Centered Community Care for United States Department of Veterans Affairs medical centers. Under this program, United States Department of Veterans Affairs medical centers will have the ability to purchase non-United States Department of Veterans Affairs medical care for veterans through contracted medical providers when they cannot readily provide the needed care due to geographic inaccessibility or limited capacity. The Patient-Centered Community Care program will augment the health care services provided by the United States Department of Veterans Affairs personnel at United States Department of Veterans Affairs medical center facilities and under the United States Department of Veterans Affairs fee basis program. It will provide a vehicle for United States Department of Veterans Affairs medical centers to work with local health care service providers.
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"§237-24 Amounts not taxable. This chapter shall not apply to the following amounts:

(1) Amounts received under life insurance policies and contracts paid by reason of the death of the insured;

(2) Amounts received (other than amounts paid by reason of death of the insured) under life insurance, endowment, or annuity contracts, either during the term or at maturity or upon surrender of the contract;

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(11) Federal excise taxes imposed on articles sold at retail and collected from the purchasers thereof and paid to the federal government by the retailer;

(12) The amounts of federal taxes under chapter 37 of the Internal Revenue Code, or similar federal taxes, imposed on sugar manufactured in the State, paid by the manufacturer to the federal government;

(13) An amount up to, but not in excess of, $2,000 a year of gross income received by any blind, deaf, or totally disabled person engaging, or continuing, in any business, trade, activity, occupation, or calling within the State; a corporation all of whose outstanding shares are owned by an individual or individuals who are blind, deaf, or totally disabled; a general, limited, or limited liability partnership, all of whose partners are blind, deaf, or totally disabled; or a limited liability company, all of whose members are blind, deaf, or totally disabled;
(14) Amounts received by a producer of sugarcane from the manufacturer to whom the producer sells the sugarcane, where:

(A) The producer is an independent cane farmer, so classed by the Secretary of Agriculture under the Sugar Act of 1948 (61 Stat. 922, Chapter 519) as the Act may be amended or supplemented;

(B) The value or gross proceeds of the sale of the sugar, and other products manufactured from the sugarcane, are included in the measure of the tax levied on the manufacturer under section 237-13(1) or (2);

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Money paid by the State or eleemosynary child-placing organizations to foster parents for their care of children in foster homes;

Amounts received by a cooperative housing corporation from its shareholders in reimbursement of funds paid by the corporation for lease rental, real property taxes, and other expenses of operating and maintaining the cooperative land and improvements; provided that the cooperative corporation is a corporation:

(A) Having one and only one class of stock outstanding;

(B) Each of the stockholders of which is entitled solely by reason of the stockholder's ownership of stock in the corporation, to occupy for dwelling purposes a house, or an apartment in a building owned or leased by the corporation; and

(C) No stockholder of which is entitled (either conditionally or unconditionally) to receive any distribution not out of earnings and profits of the corporation except in a complete or partial liquidation of the corporation; [and]
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(18) Amounts received by a contractor of the Patient-Centered Community Care program that is established under title 38 United States Code chapter 8153, as amended, for the actual cost or advancement to third party health care providers pursuant to a contract with the United States."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2014; provided that the amendments made to section 237-24, Hawaii Revised Statutes, by section 2 of this Act shall not be repealed when that section is reenacted on December 31, 2018, pursuant to section 2 of Act 164, Session Laws of Hawaii 2013.

INTRODUCED BY: [Signature]
Report Title:
GET; Exemption; Patient-Centered Community Care; Veterans Affairs

Description:
Clarifies that amounts received by a contractor of the veterans Patient-Centered Community Care Program for costs or advances to third party health care providers are excluded from the State general excise tax.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Measure Title: RELATING TO THE GENERAL EXCISE TAX.
Report Title: GET; Exemption; Patient-Centered Community Care; Veterans Affairs
Description:
Exempts from the general excise tax amounts received by a contractor of the Patient-Centered Community Care Program established by the United States Department of Veterans Affairs for costs or advances to third party health care providers. (HB1772 CD1)
Companion:
Package: Military Appreciation
Current Referral: PSM/HTH, WAM
Introducer(s): TAKAI, BELATTI

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<td>1/16/2014 H</td>
<td>Pending introduction.</td>
</tr>
<tr>
<td>1/17/2014 H</td>
<td>Introduced and Passed First Reading</td>
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<tr>
<td>1/21/2014 H</td>
<td>Referred to FIN, referral sheet 3</td>
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<tr>
<td>1/27/2014 H</td>
<td>Re-referred to VMI/HLT, FIN, referral sheet 7</td>
</tr>
<tr>
<td>2/4/2014 H</td>
<td>Bill scheduled to be heard by VMI/HLT on Wednesday, 02-12-14 9:25AM in House conference room 312.</td>
</tr>
<tr>
<td>2/6/2014 H</td>
<td>Bill re-scheduled to be heard by VMI/HLT on Wednesday, 02-12-14 9:25AM in conference room 329.</td>
</tr>
<tr>
<td>2/12/2014 H</td>
<td>The committees on VMI recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 7 Ayes: Representative(s) Takai, Ito, Awana, Choy, Ohno, Onishi, Tsuj; Ayes with reservations: none; Noes: none; and 4 Excused: Representative(s) Brower, Cachola, McDermott, Wooley.</td>
</tr>
<tr>
<td>2/12/2014 H</td>
<td>The committees on HLT recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 8 Ayes: Representative(s) Belatti, Morikawa, Creagan, Hashem, Jordan, Kobayashi, Woodson, Matsumoto; Ayes with reservations: none; Noes: none; and 2 Excused: Representative(s) Carroll, Oshiro.</td>
</tr>
<tr>
<td>2/14/2014 H</td>
<td>Reported from VMI/HLT (Stand. Com. Rep. No. 513-14), recommending passage on Second Reading and referral to FIN.</td>
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<tr>
<td>2/14/2014 H</td>
<td>Passed Second Reading and referred to the committee(s) on FIN with none voting aye with reservations; none voting no (0) and Cachola, Carroll, Creagan, Nakashima, Takumi excused (5).</td>
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<tr>
<td>2/18/2014 H</td>
<td>Bill scheduled to be heard by FIN on Thursday, 02-20-14 11:00AM in House conference room 308.</td>
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<tr>
<td>2/20/2014 H</td>
<td>The committees on FIN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 16 Ayes: Representative(s) Luke, Nishimoto, Johanson, Cullen, Hashem, Ing, Jordan, Kobayashi, Lowen, Morikawa, Onishi, Takayama, Tokioka, Yamashita, Fukumoto, Ward; Ayes with reservations: none; Noes: none; and 1 Excused: Representative(s) Woodson.</td>
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<td>2/28/2014 H</td>
<td>Forty-eight (48) hours notice Tuesday, 03-04-14.</td>
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<tr>
<td>3/4/2014 H</td>
<td>Passed Third Reading as amended in HD 1 with none voting aye with reservations; none voting no (0) and Representative(s) Ing excused (1). Transmitted to Senate.</td>
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<td>3/6/2014 S</td>
<td>Received from House (Hse. Com. No. 251).</td>
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<tr>
<td>3/6/2014 S</td>
<td>Passed First Reading.</td>
</tr>
<tr>
<td>3/6/2014 S</td>
<td>Referred to PSM/HTH, WAM.</td>
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<tr>
<td>Date</td>
<td>Action</td>
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<td>3/12/2014</td>
<td>S The committee(s) on PSM/HTH has scheduled a public hearing on 03-18-14 2:50PM in conference room 224.</td>
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<tr>
<td>3/18/2014</td>
<td>S The committee(s) on HTH recommend(s) that the measure be PASSED, UNAMENDED. The votes in HTH were as follows: 3 Aye(s): Senator(s) Green, Baker, Chun Oakland; Aye(s) with reservations: none; 0 No(es): none; and 2 Excused: Senator(s) Nishihara, Slom.</td>
</tr>
<tr>
<td>3/18/2014</td>
<td>S The committee(s) on PSM recommend(s) that the measure be PASSED, UNAMENDED. The votes in PSM were as follows: 3 Aye(s): Senator(s) Espero, Baker, Green; Aye(s) with reservations: none; 0 No(es): none; and 2 Excused: Senator(s) Galuteria, Slom.</td>
</tr>
<tr>
<td>3/21/2014</td>
<td>S Reported from PSM/HTH (Stand. Com. Rep. No. 3026) with recommendation of passage on Second Reading and referral to WAM.</td>
</tr>
<tr>
<td>3/21/2014</td>
<td>S Report adopted; Passed Second Reading and referred to WAM.</td>
</tr>
<tr>
<td>3/21/2014</td>
<td>S The committee(s) on WAM will hold a public decision making on 03-25-14 9:05AM in conference room 211.</td>
</tr>
<tr>
<td>3/25/2014</td>
<td>S The committee(s) on WAM deferred the measure until 03-28-14 9:15AM in conference room 211.</td>
</tr>
<tr>
<td>3/28/2014</td>
<td>S The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 12 Aye(s): Senator(s) Ige, Kidani, Dela Cruz, English, Espero, Kahele, Keith-Agaran, Kouchi, Ruderman, L. Thielen, Tokuda, Slom; Aye(s) with reservations: none; 0 No(es): none; and 1 Excused: Senator(s) Chun Oakland.</td>
</tr>
<tr>
<td>4/10/2014</td>
<td>H House disagrees with Senate amendment(s).</td>
</tr>
<tr>
<td>4/11/2014</td>
<td>S Received notice of disagreement (Hse. Com. No. 676).</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>H House Conferees Appointed: Takai, Belatti, Nishimoto Co-Chairs; Ward Member.</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>S Senate Conferees Appointed: Espero Chair; Green, Ige Co-Chairs; Kouchi, Slom Members.</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>H Received notice of Senate conferees (Sen. Com. No. 675).</td>
</tr>
<tr>
<td>4/17/2014</td>
<td>H Bill scheduled for Conference Committee Meeting on Tuesday, 04-22-14 10:10AM in conference room 423.</td>
</tr>
<tr>
<td>4/22/2014</td>
<td>H Conference Committee Meeting will reconvene on Thursday 04-24-14 1:00PM in conference room 423.</td>
</tr>
<tr>
<td>4/24/2014</td>
<td>H Conference Committee Meeting will reconvene on Friday 04-25-14 1:00PM in conference room 423.</td>
</tr>
<tr>
<td>4/24/2014</td>
<td>H The Conference Committee recommends that the measure be Passed, with Amendments. The votes were as follows: 3 Ayes: Representative(s) Takai, Belatti, Nishimoto; Ayes with reservations: none; 0 Noes: none; and 1 Excused: Representative(s) Ward.</td>
</tr>
<tr>
<td>4/25/2014</td>
<td>H The Conference committee recommends that the measure be PASSED, WITH AMENDMENTS. The votes of the Senate Conference Managers were as follows: 3 Aye(s): Senator(s) Espero, Green, Kouchi; Aye(s) with reservations: none; 0 No(es): none; and 2 Excused: Senator(s) Ige, Slom.</td>
</tr>
<tr>
<td>4/25/2014</td>
<td>H Forty-eight (48) hours notice Tuesday 04-29-14.</td>
</tr>
<tr>
<td>4/29/2014</td>
<td>H Passed Final Reading as amended in CD 1 with none voting aye with reservations; none voting no (0) and Representative(s) Ito excused (1).</td>
</tr>
</tbody>
</table>
**HB1772 HD1 SD1 CD1**

<table>
<thead>
<tr>
<th>Date</th>
<th>Action Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/29/2014</td>
<td>S Passed Final Reading, as amended (CD 1). 25 Aye(s); Aye(s) with reservations: none. 0 No(es): none. 0 Excused: none.</td>
</tr>
<tr>
<td>4/30/2014</td>
<td>H Received notice of Final Reading (Sen. Com. No. 720).</td>
</tr>
<tr>
<td>5/1/2014</td>
<td>S Received notice of passage on Final Reading in House (Hse. Com. No. 751).</td>
</tr>
<tr>
<td>5/5/2014</td>
<td>H Transmitted to Governor.</td>
</tr>
</tbody>
</table>

*S = Senate  |  H = House  |  D = Data Systems  |  $ = Appropriation measure  |  ConAm = Constitutional Amendment

The Honorable Donna Mercado Kim,  
President  
and Members of the Senate  
Twenty-Seventh State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813  

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Seventh State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813  

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 30, 2014, the following bill was signed into law:

SB2542 SD1 HD1 CD1  
RELATING TO THE DISPOSITION OF THE  
CONVEYANCE TAX COLLECTIONS TO THE  
RENTAL HOUSING TRUST FUND  
ACT 163 (14)

Sincerely,

NEIL ABERCROMBIE  
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Recognizing the need to address the shortfall in affordable rental housing units, the legislature raised the allocation of the conveyance tax to the rental housing trust fund to fifty per cent in 2006. However, due to the economic crisis and recession of 2008 through 2010 the allocation to the rental housing trust fund has been reduced to thirty per cent to address the State's budget crisis.

The legislature finds that the State continues to face unique challenges related to affordable housing. The lack of available land, low wage positions coupled with the high cost of living, the high cost of construction, and shortage of public funds are only some of the factors that have contributed to one of the lowest rates of home ownership in the country and a strong need for affordable rental housing.

The legislature further finds that renters in Hawaii face many challenges. A 2011 Center for Housing Policy report noted that Honolulu was tied for being the least affordable city for...
renters nationwide. Honolulu was also ranked the third most
dexpensive city for rentals. The need for affordable housing in
Hawaii also affects moderate-income families. Individuals
falling into this gap group of average wage earners face
challenges, as they earn too much to qualify for low-income
housing programs, yet earn too little to afford market rate
housing.

The legislature also finds that according to the 2011
Hawaii Housing Planning Study, the number of new housing units
that will have to be built between 2012 and 2016 to meet new
demand generated by changing demographic and economic conditions
might be as high as fifty thousand. Units that are not built
represent the shortage of units needed to fill the total demand
for housing units. This shortage, known as needed units, is the
difference between total housing demand and expected supply.
The projected number of needed units in the State through 2016
includes over six thousand ownership units and thirteen thousand
rental units for households with less than eighty per cent of
the area median income. During this same five-year period,
about two thousand six hundred affordable for-sale units and
over two thousand one hundred rental units will be needed to
meet the housing requirements of households earning between
eighty per cent and one hundred forty per cent of the area median income; these are households that fall into the gap group of wage earners.

The legislature additionally finds that rising housing costs are associated with increased homelessness or families at risk of becoming homeless. According to the 2012 Homeless Service Utilization Report developed by the Center on the Family at the University of Hawaii at Manoa, a total of 13,980 individuals statewide experienced homelessness and received shelter or outreach services during the 2012 fiscal year. This figure includes those individuals who are at risk of losing their housing.

The legislature finds that Hawaii has a definite, immediate need for affordable housing. Addressing these needs will be a challenge because of the sheer number of units needed to meet demand and the various barriers that can prevent development and preservation of affordable housing. Therefore, the public sector, the private sector, and other interested stakeholders in the community must work together to ensure that Hawaii's residents have access to affordable housing.

The purpose of this Act is to support Hawaii's goal of meeting the projected number of needed affordable housing units...
in the State by restoring the allocation of the conveyance tax
to the rental housing trust fund to fifty per cent.

SECTION 2. Section 247-7, Hawaii Revised Statutes, is
amended to read as follows:

"§247-7 Disposition of taxes. All taxes collected under
this chapter shall be paid into the state treasury to the credit
of the general fund of the State, to be used and expended for
the purposes for which the general fund was created and exists
by law; provided that of the taxes collected each fiscal year:

(1) Ten per cent shall be paid into the land conservation
fund established pursuant to section 173A-5;

(2) Twenty-five per cent from July 1, 2009, until June 30,
2012[ and ]; thirty per cent from July 1, 2012, until
June 30, 2014; and fifty per cent in each fiscal year
thereafter shall be paid into the rental housing trust
fund established by section 201H-202; and

(3) Twenty per cent from July 1, 2009, until June 30,
2012, and twenty-five per cent in each fiscal year
thereafter shall be paid into the natural area reserve
fund established by section 195-9; provided that the
funds paid into the natural area reserve fund shall be
annually disbursed by the department of land and natural resources in the following priority:

(A) To natural area partnership and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission;

(B) Projects undertaken in accordance with watershed management plans pursuant to section 171-58 or watershed management plans negotiated with private landowners, and management of the natural area reserves system pursuant to section 195-3;

and

(C) The youth conservation corps established under chapter 193."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. If H.B. No. 2059 or H.B. No. 2101, regular session of 2014, is passed in any form by the legislature during the regular session of 2014, whether before, on, or after the effective date of this Act, the provisions in this Act shall supersede any amendments made to section 247-7, Hawaii Revised Statutes, by those measures.
SECTION 5. This Act shall take effect on July 1, 2014.

APPROVED this 30 day of JUN, 2014

GOVERNOR OF THE STATE OF HAWAII
Honolulu, Hawaii
APR 25 2014

RE: S.B. No. 2542
S.D. 1
H.D. 1
C.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 2542, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND,"

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 restore the allocation of conveyance tax collections to the rental housing trust fund to fifty percent beginning July 1, 2014.

Your Committee on Conference finds that the creation of more affordable rental housing is critical to Hawai‘i's future. Rent costs have increased more than forty-five percent in Hawai‘i since 2005, and almost seventy-five percent of extremely low income households are spending more than half of their income on rent. In addition, rising housing costs are associated with increased homelessness and more local families at risk of becoming homeless.
Your Committee on Conference finds that increasing the allocation of conveyance tax collections to the rental housing trust fund to fifty percent will yield significant funds which can be leveraged to build more affordable housing.

Your Committee on Conference has amended this measure by:

(1) Adding language making this measure supersede any amendments made to Section 247-7, Hawaii Revised Statutes, relating to the allocation of conveyance tax collections, by H.B. No. 2059 or H.B. No. 2101, Regular Session of 2014, if passed by the Legislature during the Regular Session of 2014 in any form;

(2) Inserting an effective date of July 1, 2014; and

(3) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

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. 2542, 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. 2542, S.D. 1, H.D. 1, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE HOUSE

MARK J. HASHEM, Co-Chair
CINDY EVANS, Co-Chair
SCOTT Y. NISHIMOTO, Co-Chair

ON THE PART OF THE SENATE

SUZANNE CHUN OAKLAND, Chair
DAVID Y. IGE, Co-Chair
**Record of Votes of a Conference Committee**

**Bill / Concurrent Resolution No.:** SB 2542, SD 1, HD 1  
**Date/Time:** 4/25/14 3:30pm

The recommendation of the House and Senate managers is to pass with amendments (CD).

The Committee is reconsidering its previous decision.

The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure.

The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

<table>
<thead>
<tr>
<th>Senate Managers</th>
<th>A</th>
<th>WR</th>
<th>N</th>
<th>E</th>
<th>House Managers</th>
<th>A</th>
<th>WR</th>
<th>N</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHUN OAKLAND, Suzanne, Chr.</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>HASHEM, Mark J., Co-Chr.</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>IGE, David Y., Co-Chr.</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>EVANS, Cindy, Co-Chr.</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>KEITH-AGARAN, Gilbert S.C.</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>NISHIMOTO, Scott Y., Co-Chr.</td>
<td>✓</td>
<td></td>
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<tr>
<td>KIDANI, Michelle N.</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>CULLEN, Ty J.K.</td>
<td>✓</td>
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<tr>
<td>TANIGUCHI, Brian T.</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>WARD, Gene</td>
<td>✓</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

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

Senate Recommendation is:  
☐ Adopted  
☐ Not Adopted  

House Recommendation is:  
☐ Adopted  
☐ Not Adopted  

Senate Lead Chair's or Designee's Signature:  

House Lead Chair's or Designee's Signature:  

**Distribution:**  
File with Conference Committee Report  
House Clerk's Office  
Senate Clerk's Office  
Drafting Agency
Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 2542, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND,"

begs leave to report as follows:

The purpose of this measure is to restore funding of the Rental Housing Trust Fund to its pre-recession level by restoring the allocation of 50 percent of Conveyance Tax revenues to the Trust Fund.

The Hawaii Association of REALTORS; PHOCUSED; Hawaii Appleseed Center for Law and Economic Justice; Partners In Care; Catholic Charities Hawaii; and an individual supported this measure. BIA-Hawaii opposed this measure. The Department of Land and Natural Resources; Department of Budget and Finance; Hawaii Housing Finance and Development Corporation; Tax Foundation of Hawaii; Chamber of Commerce Hawaii; and an individual provided comments.

Your Committee has amended this measure by making technical, nonsubstantive amendments for clarity, consistency, and style.
As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2542, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2542, S.D. 1, H.D. 1.

Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LUKE, Chair
State of Hawaii
House of Representatives
The Twenty-seventh Legislature

Record of Votes of the Committee on Finance

Bill/Resolution No.: SB 2542, SD1
Committee Referral: HSG, WAL, FIN
Date: 3/31/2014

The committee is reconsidering its previous decision on the measure.

The recommendation is to:
- Pass, unamended (as is)
- Pass, with amendments (HD)
- Hold
- Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
<thead>
<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. LUKE, Sylvia (C)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2. NISHIMOTO, Scott Y. (VC)</td>
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<td>3. JOHANSON, Aaron Ling (VC)</td>
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<td>4. CULLEN, Ty J.K.</td>
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<td>5. HASHEM, Mark J.</td>
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<td>6. ING, Kaniela</td>
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<td>7. JORDAN, Jo</td>
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<td>8. KOBAYASHI, Bertrand</td>
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<td>9. LOWEN, Nicole E.</td>
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<td>10. MORIKAWA, Dec</td>
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<td>11. ONISHI, Richard H.K.</td>
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<tr>
<td>12. TAKAYAMA, Gregg</td>
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<td>13. TOKIOKA, James Kunane</td>
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<td>14. WOODSON, Justin H.</td>
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<tr>
<td>15. YAMASHITA, Kyle T.</td>
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<tr>
<td>16. FUKUMOTO, Beth</td>
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<tr>
<td>17. WARD, Gene</td>
<td></td>
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</tr>
</tbody>
</table>

TOTAL (17) 16

The recommendation is: Adopted

If joint referral, ______ did not support recommendation.

Vice Chair's or designee's signature:

Distribution: Original (White) – Committee
Duplicate (Yellow) – Chief Clerk's Office
Duplicate (Pink) – HMSO
A BILL FOR AN ACT

RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Recognizing the need to address the shortfall in affordable rental housing units, the legislature raised the allocation of the conveyance tax to the rental housing trust fund to fifty per cent in 2006. However, due to the economic crisis and recession of 2008 through 2010 the allocation to the rental housing trust fund has been reduced to thirty per cent to address the State's budget crisis.

The legislature finds that the State continues to face unique challenges related to affordable housing. The lack of available land, low wage positions coupled with the high cost of living, the high cost of construction, and shortage of public funds are only some of the factors that have contributed to one of the lowest rates of home ownership in the country and a strong need for affordable rental housing.

The legislature further finds that renters in Hawaii face many challenges. A 2011 Center for Housing Policy report noted that Honolulu was tied for being the least affordable city for
renters nationwide. Honolulu was also ranked the third most
city for rentals. The need for affordable housing in
Hawaii also affects moderate-income families. Individuals
falling into this gap group of average wage earners face
challenges, as they earn too much to qualify for low-income
housing programs, yet earn too little to afford market rate
housing.

The legislature also finds that according to the 2011
Hawaii Housing Planning Study, the number of new housing units
that will have to be built between 2012 and 2016 to meet new
demand generated by changing demographic and economic conditions
might be as high as fifty thousand. Units that are not built
represent the shortage of units needed to fill the total demand
for housing units. This shortage, known as needed units, is the
difference between total housing demand and expected supply.
The projected number of needed units in the State through 2016
includes over six thousand ownership units and thirteen thousand
rental units for households with less than eighty per cent of
the area median income. During this same five-year period,
about two thousand six hundred affordable for-sale units and
over two thousand one hundred rental units will be needed to
meet the housing requirements of households earning between
eighty per cent and one hundred forty per cent of the area median income; these are households that fall into the gap group of wage earners.

The legislature additionally finds that rising housing costs are associated with increased homelessness or families at risk of becoming homeless. According to the 2012 Homeless Service Utilization Report developed by the Center on the Family at the University of Hawaii at Manoa, a total of 13,980 individuals statewide experienced homelessness and received shelter or outreach services during the 2012 fiscal year. This figure includes those individuals who are at risk of losing their housing.

The legislature finds that Hawaii has a definite, immediate need for affordable housing. Addressing these needs will be a challenge because of the sheer number of units needed to meet demand and the various barriers that can prevent development and preservation of affordable housing. Therefore, the public sector, the private sector, and other interested stakeholders in the community must work together to ensure that Hawaii's residents have access to affordable housing.

The purpose of this Act is to support Hawaii's goal of meeting the projected number of needed affordable housing units
in the State by restoring the allocation of the conveyance tax
to the rental housing trust fund to fifty per cent.

SECTION 2. Section 247-7, Hawaii Revised Statutes, is
amended to read as follows:

"§247-7 Disposition of taxes. All taxes collected under
this chapter shall be paid into the state treasury to the credit
of the general fund of the State, to be used and expended for
the purposes for which the general fund was created and exists
by law; provided that of the taxes collected each fiscal year:

(1) Ten per cent shall be paid into the land conservation
fund established pursuant to section 173A-5;

(2) Twenty-five per cent from July 1, 2009, until June 30,
2012[and]; thirty per cent from July 1, 2012, until
June 30, 2014; and fifty per cent in each fiscal year
thereafter shall be paid into the rental housing trust
fund established by section 201H-202; and

(3) Twenty per cent from July 1, 2009, until June 30,
2012, and twenty-five per cent in each fiscal year
thereafter shall be paid into the natural area reserve
fund established by section 195-9; provided that the
funds paid into the natural area reserve fund shall be
annually disbursed by the department of land and
natural resources in the following priority:

(A) To natural area partnership and forest
stewardship programs after joint consultation
with the forest stewardship committee and the
natural area reserves system commission;

(B) Projects undertaken in accordance with watershed
management plans pursuant to section 171-58 or
watershed management plans negotiated with
private landowners, and management of the natural
area reserves system pursuant to section 195-3;

and

(C) The youth conservation corps established under
chapter 193."

SECTION 3. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2050.
Report Title:
Rental Housing Trust Fund; Conveyance Tax

Description:
Restores the allocation of conveyance tax collections to the rental housing trust fund to 50% beginning July 1, 2014.

(SB2542 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
HONORABLE JOSEPH M. SOUKI
SPEAKER, HOUSE OF REPRESENTATIVES
TWENTY-SEVENTH STATE LEGISLATURE
REGULAR SESSION OF 2014
STATE OF HAWAII

SIR:

Your Committee on Water & Land, to which was referred S.B. No. 2542, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND,

begs leave to report as follows:

The purpose of this measure is to restore funding of the Rental Housing Trust Fund to its pre-recession level by restoring the allocation of 50 percent of Conveyance Tax revenues to the Trust Fund.

The Hawaii Housing Finance and Development Corporation, Catholic Charities Hawaii, Partners in Care, Hawai’i Appleseed Center for Law and Economic Justice, and PHOCUSED submitted testimony in support of this measure. The Chamber of Commerce of Hawaii and Building Industry Association of Hawaii submitted testimony in opposition to this measure. The Department of Land and Natural Resources and Tax Foundation of Hawaii submitted comments.

As affirmed by the record of votes of the members of your Committee on Water & Land that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2542, S.D. 1, and recommends that it be referred to the Committee on Finance.

SB2542 SD1 HSCR WAL HMS 2014-2721
Respectfully submitted on behalf of the members of the Committee on Water & Land,

CINDY EVANS, Chair
Record of Votes of the Committee on Water & Land

<table>
<thead>
<tr>
<th>WAL Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
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<tbody>
<tr>
<td>1. EVANS, Cindy (C)</td>
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<td>2. LOWEN, Nicole E. (VC)</td>
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<td>3. CULLEN, Ty J.K.</td>
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<td>4. HANOHANO, Faye P.</td>
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<tr>
<td>5. KAWAKAMI, Derek S.K.</td>
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<tr>
<td>6. LEE, Chris</td>
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<td>7. SAY, Calvin K.Y.</td>
<td></td>
<td></td>
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<td>8. NISHIMOTO, Scott Y.</td>
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<td>9. FALE, Richard Lee</td>
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<td>10. THIELEN, Cynthia</td>
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</tbody>
</table>

**TOTAL (10)**: 6 4

The recommendation is: ✓ Adopted  □ Not Adopted

If joint referral, _____ committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature:

Distribution: Original (White) – Committee  Duplicate (Yellow) – Chief Clerk's Office  Duplicate (Pink) – HMSO
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Sir:  

Your Committee on Housing, to which was referred S.B. No. 2542, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND,"

begs leave to report as follows:

The purpose of this measure is to support the development of affordable rental housing by increasing the share of conveyance tax revenues going to the Rental Housing Trust Fund from 30 percent to 50 percent.

The Hawaii Housing Finance and Development Corporation; Hawai‘i Appleseed Center for Law and Economic Justice; PHOCUSED; Hawaii Catholic Conference; Partners in Care; Catholic Charities Hawaii; Hawai‘i Association of Realtors; Institute for Human Services, Inc.; Community Alliance for Mental Health; United Self Help; and a concerned individual supported this measure. The Building Industry Association of Hawaii opposed this measure. The Department of Budget and Finance, Department of Land and Natural Resources, Tax Foundation of Hawaii, and Chamber of Commerce Hawaii provided comments on this measure.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2542, S.D. 1, and recommends that it pass Second Reading and be referred to the Committee on Water & Land.

SB2542 SD1 HSCR HSG HMS 2014-2527
Respectfully submitted on behalf of the members of the Committee on Housing,

MARK J. HASHEM, Chair
### Record of Votes of the Committee on Housing

<table>
<thead>
<tr>
<th>Bill/Resolution No.</th>
<th>Committee Referral</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB 2542, SD 1</td>
<td>HSG, WAL, FIN</td>
<td>3/10/14</td>
</tr>
</tbody>
</table>

- The committee is reconsidering its previous decision on the measure.
- The recommendation is to:  
  - Pass, unamended (as is)  
  - Pass, with amendments (HD)  
  - Hold  
  - Pass short form bill with HD to recommit for future public hearing (recommit)

#### HSG Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
</tr>
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<tbody>
<tr>
<td>1. HASHEM, Mark J. (C)</td>
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<td>2. WOODSON, Justin H. (VC)</td>
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<td>3. BELATTI, Della Au</td>
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<td>4. CARROLL, Mele</td>
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<td>5. CREAGAN, Richard</td>
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<td>6. JORDAN, Jo</td>
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<td>7. KOBAYASHI, Bertrand</td>
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<td>8. MORIKAWA, Dee</td>
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<td>9. OSHIRO, Marcus R.</td>
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<tr>
<td>10. MATSUMOTO, Lauren Kealohilani</td>
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</table>

- TOTAL (10)  
  - 7  
  - 0  
  - 0  
  - 3

The recommendation is:  
- ☑ Adopted  
- ☐ Not Adopted

If joint referral,  
- committee acronym(s)  
- did not support recommendation.

Vice Chair's or designee's signature:

Distribution:  
- Original (White) – Committee  
- Duplicate (Yellow) – Chief Clerk's Office  
- Duplicate (Pink) – HMSO
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:  

Your Committee on Ways and Means, to which was referred S.B. No. 2542 entitled:  

"A BILL FOR AN ACT RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND," begs leave to report as follows:  

The purpose and intent of this measure is to support Hawaii's goal of meeting the projected number of needed affordable housing units.  

More specifically, this measure restores the allocation of conveyance tax revenues to the Rental Housing Trust Fund to fifty per cent.  

Your Committee received written comments in support of this measure from the Hawaii Housing Finance and Development Corporation, Catholic Charities Hawaii, Hawaii Appleseed Center for Law and Economic Justice, Hawaii Association of REALTORS, Office for Social Ministry of the Catholic Diocese of Honolulu, Partners in Care, PHOCUSED, and three individuals. Your Committee received comments on this measure from the Department of Budget and Finance and the Tax Foundation of Hawaii.  

Your Committee finds that Hawaii has a definite, immediate need for affordable rental housing. Your Committee also finds that the Rental Housing Trust Fund was established to provide loans or grants for the development, pre-development, construction, acquisition, preservation, and substantial
rehabilitation of rental housing units. In recognition of the need to address the shortfall in affordable rental housing units, the Legislature raised the allocation of the conveyance tax to the Rental Housing Trust Fund to fifty per cent in 2006. However, due to the economic downturn of 2008 to 2010, the allocation to the Rental Housing Trust Fund was reduced to thirty per cent. Your Committee further finds that restoring the allocation to the Rental Housing Trust Fund to fifty per cent of state conveyance tax collections will increase the amount of funds available to build affordable rental housing.

Your Committee has amended this measure by:

(1) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and

(2) 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. 2542, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2542, S.D. 1.

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

DAVID Y. TSE, Chair
Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.: SB 2542
Committee Referral: HMS, WAM
Date: 2-13-14

The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to:

The Recommendation is:
- Pass, unamended
- Pass, with amendments
- Hold
- Recommit

<table>
<thead>
<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
<th>Excused</th>
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<tr>
<td>IGE, David Y. (C)</td>
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<tr>
<td>KIDANI, Michelle N. (VC)</td>
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<td>CHUN OAKLAND, Suzanne</td>
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<td>DELA CRUZ, Donovan M.</td>
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<td>ENGLISH, J. Kalani</td>
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<td>ESPERO, Will</td>
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<td>KAHELE, Gilbert</td>
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<td>KEITH-AGARAN, Gilbert S.C.</td>
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<td>KOUCHI, Ronald D.</td>
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<td>RUDERMAN, Russell E.</td>
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<td>THIELEN, Laura H.</td>
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<tr>
<td>TOKUDA, Jill N.</td>
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<td>SLOM, Sam</td>
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</table>

Recommendation: Adopted

Chair's or Designee's Signature: [Signature]

Distribution: Original File with Committee Report
              Yellow Clerk's Office
              Pink Drafting Agency
              Goldenrod Committee File Copy

*Only one measure per Record of Votes

Revised: 11/19/12
A BILL FOR AN ACT
RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Recognizing the need to address the shortfall in affordable rental housing units, the legislature raised the allocation of the conveyance tax to the rental housing trust fund to fifty per cent in 2006. Due to the economic crisis and recession of 2008 through 2010, however, the allocation to the rental housing trust fund was reduced to thirty per cent to address the State's budget crisis.

The legislature finds that the State continues to face unique challenges related to affordable housing. The lack of available land, low wage positions coupled with the high cost of living, the high cost of construction, and shortage of public funds are only some of the factors that have contributed to one of the lowest rates of home ownership in the country and a strong need for affordable rental housing.

The legislature further finds that renters in Hawaii face many challenges. A 2011 Center for Housing Policy report noted that Honolulu was tied for being the least affordable city for
renters nationwide. Honolulu was also ranked the third most
expensive city for rentals. The need for affordable housing in
Hawaii also affects moderate-income families. Individuals
falling into this "gap group" of average wage earners face
challenges, as they earn too much to qualify for low-income
housing programs, yet earn too little to afford market rate
housing.

The legislature also finds that according to the 2011
Hawaii Housing Planning Study, the number of new housing units
that will have to be built between 2012 and 2016 to meet new
demand generated by changing demographic and economic conditions
might be as high as fifty thousand. Units that are not built
represent the shortage of units needed to fill the total demand
for housing units. This shortage, known as "needed units", is
the difference between total housing demand and expected supply.
The projected number of "needed units" in the State through 2016
includes over six thousand ownership units and thirteen thousand
rental units for households with less than eighty per cent of
the area median income. During this same five-year period,
about two thousand six hundred affordable for-sale units and
over two thousand one hundred rental units will be needed to
meet the housing requirements of households earning between
eighty per cent and one hundred forty per cent of the area median income; these are households that fall into the "gap group" of wage earners.

The legislature additionally finds that rising housing costs are also associated with increased homelessness or families at risk of becoming homeless. According to the 2012 Homeless Service Utilization Report developed by the Center on the Family at the University of Hawaii at Manoa, a total of 13,980 individuals statewide experienced homelessness and received shelter or outreach services during the 2012 fiscal year. This figure includes those individuals who are at risk of losing their housing.

The legislature finds that Hawaii has a definite, immediate need for affordable housing. Addressing these needs will be a challenge because of the sheer number of units needed to meet demand and the various barriers that can prevent development and preservation of affordable housing. Therefore, the public sector, the private sector, and other interested stakeholders in the community must work together to ensure that Hawaii's residents have access to affordable housing.

The purpose of this Act is to support Hawaii's goal of meeting the projected number of needed affordable housing units
in the State by restoring the allocation of the conveyance tax
to the rental housing trust fund to fifty per cent.

SECTION 2. Section 247-7, Hawaii Revised Statutes, is
amended to read as follows:

"§247-7 Disposition of taxes. All taxes collected under
this chapter shall be paid into the state treasury to the credit
of the general fund of the State, to be used and expended for
the purposes for which the general fund was created and exists
by law; provided that of the taxes collected each fiscal year:

(1) Ten per cent shall be paid into the land conservation
fund established pursuant to section 173A-5;

(2) Twenty-five per cent from July 1, 2009, until June 30,
2012[and]; thirty per cent from July 1, 2012, until
June 30, 2014; and fifty per cent in each fiscal year
thereafter shall be paid into the rental housing trust
fund established by section 201H-202; and

(3) Twenty per cent from July 1, 2009, until June 30,
2012, and twenty-five per cent in each fiscal year
thereafter shall be paid into the natural area reserve
fund established by section 195-9; provided that the
funds paid into the natural area reserve fund shall be
annually disbursed by the department of land and natural resources in the following priority:

(A) To natural area partnership and forest stewardship programs after joint consultation with the forest stewardship committee and the natural area reserves system commission;

(B) Projects undertaken in accordance with watershed management plans pursuant to section 171-58 or watershed management plans negotiated with private landowners, and management of the natural area reserves system pursuant to section 195-3; and

(C) The youth conservation corps established under chapter 193."
Report Title:
Rental Housing Trust Fund; Conveyance Tax

Description:
Restores the allocation of conveyance tax collections to the rental housing trust fund to 50% beginning 7/1/2014. Effective 7/1/2050. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committee on Human Services, to which was referred S.B. No. 2542 entitled:

"A BILL FOR AN ACT RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND,"

begs leave to report as follows:

The purpose and intent of this measure is to restore the allocation of conveyance tax collections to the rental housing trust fund to fifty percent.

Your Committee received testimony in support of this measure from the Department of Human Services, Hawaii Housing Finance and Development Corporation, Partners in Care, Catholic Charities Hawaii, Institute for Human Services, Blueprint for Change, Hawaii Appleseed Center for Law and Economic Justice, PHOCUSED, Hawaii Association of REALTORS, Land Use Research Foundation of Hawaii, Community Alliance for Mental Health, and two individuals. Your Committee received testimony in opposition to this measure from The Chamber of Commerce of Hawaii and one individual. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that the creation of more affordable rental housing is critical to Hawaii's future. Rent costs have increased more than forty-five percent in Hawaii since 2005, and almost seventy-five percent of extremely low income households are spending more than half of their income on rent. Rising housing costs are associated with increased homelessness and families at risk of becoming homeless, with almost fourteen thousand
individuals in the State experiencing homelessness or being at risk of losing their housing during the 2012 fiscal year. Your Committee further finds that restoring funding to the rental housing trust fund to fifty percent of state conveyance tax collections will increase the amount of funds available to be leveraged to build more affordable housing. Testimony on this measure indicates that increasing the allocation of conveyance tax collections to the rental housing trust fund to fifty percent would yield an additional $10,800,000 per year.

As affirmed by the record of votes of the members of your Committee on Human Services that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2542 and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on Human Services,

SUZANNE CHUN OAKLAND, Chair
Bill / Resolution No.: SB 2542
Committee Referral: HMS, WAM
Date: JAN. 27, 2014

The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to:

The Recommendation is:
- ☑ Pass, unamended
- ☐ Pass, with amendments
- ☐ Hold
- ☐ Recommit

<table>
<thead>
<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
<th>Excused</th>
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<tr>
<td>CHUN OAKLAND, Suzanne (C)</td>
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<td>GREEN, Josh (VC)</td>
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</table>

TOTAL: 3 0 0 2

Recommendation: ☑ Adopted ☐ 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

Revised: 01/22/13
A BILL FOR AN ACT

RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Recognizing the need to address the shortfall in affordable rental housing units, the legislature raised the allocation of the conveyance tax to the rental housing trust fund to fifty per cent in 2006. Due to the economic crisis and recession of 2008 through 2010, however, the allocation to the rental housing trust fund was reduced to thirty per cent to address the State's budget crisis.

The legislature finds that the State continues to face unique challenges related to affordable housing. The lack of available land, low wage positions coupled with the high cost of living, the high cost of construction, and shortage of public funds are only some of the factors that have contributed to one of the lowest rates of home ownership in the country and a strong need for affordable rental housing.

The legislature further finds that renters in Hawaii face many challenges. A 2011 Center for Housing Policy report noted that Honolulu was tied for being the least affordable city for
renters nationwide. Honolulu was also ranked the third most
expensive city for rentals. The need for affordable housing in
Hawaii also affects moderate-income families. Individuals
falling into this "gap group" of average wage earners face
challenges, as they earn too much to qualify for low-income
housing programs, yet earn too little to afford market rate
housing.

The legislature also finds that according to the 2011
Hawaii Housing Planning Survey, the number of new housing units
that will have to be built between 2012 and 2016 to meet new
demand generated by changing demographic and economic conditions
might be as high as 50,000. Units that are not built represent
the shortage of units needed to fill the total demand for
housing units. This shortage, known as "needed units", is the
difference between total housing demand and expected supply.
The projected number of "needed units" in the State through 2016
includes over 6,000 ownership units and 13,000 rental units for
households with less than eighty per cent of the area median
income. During this same five-year period, about 2,600
affordable for-sale units and over 2,100 rental units will be
needed to meet the housing requirements of households earning
between eighty per cent and one hundred forty per cent of the
area median income; these are households that fall into the "gap
group" of wage earners.

The legislature additionally finds that rising housing
costs are also associated with increased homelessness or
families at risk of becoming homeless. According to the 2012
Homeless Service Utilization Report developed by the Center on
the Family at the University of Hawaii, a total of 13,980
individuals statewide experienced homelessness and received
shelter or outreach services during the 2012 fiscal year. This
figure includes those individuals who are at risk of losing
their housing.

The legislature finds that Hawaii has a definite, immediate
need for affordable housing. Addressing these needs will be a
challenge because of the sheer number of units needed to meet
demand and the various barriers that can prevent development and
preservation of affordable housing. Therefore, the public
sector, the private sector, and other interested stakeholders in
the community must work together to ensure that Hawaii's
residents have access to affordable housing.

The purpose of this Act is to support Hawaii's goal of
meeting the projected number of needed affordable housing units
in the State by restoring the allocation of the conveyance tax
to the rental housing trust fund to fifty per cent.

SECTION 2. Section 247-7, Hawaii Revised Statutes, is
amended to read as follows:

"$247-7 Disposition of taxes. All taxes collected under
this chapter shall be paid into the state treasury to the credit
of the general fund of the State, to be used and expended for
the purposes for which the general fund was created and exists
by law; provided that of the taxes collected each fiscal year:

(1) Ten per cent shall be paid into the land conservation
fund established pursuant to section 173A-5;

(2) Twenty-five per cent from July 1, 2009, until June 30,
2012[; and]; thirty per cent from July 1, 2012, until
June 30, 2014; and fifty per cent in each fiscal year
thereafter shall be paid into the rental housing trust
fund established by section 201H-202; and

(3) Twenty per cent from July 1, 2009, until June 30,
2012, and twenty-five per cent in each fiscal year
thereafter shall be paid into the natural area reserve
fund established by section 195-9; provided that the
funds paid into the natural area reserve fund shall be
annually disbursed by the department of land and
natural resources in the following priority:

(A) To natural area partnership and forest
stewardship programs after joint consultation
with the forest stewardship committee and the
natural area reserves system commission;

(B) Projects undertaken in accordance with watershed
management plans pursuant to section 171-58 or
watershed management plans negotiated with
private landowners, and management of the natural
area reserves system pursuant to section 195-3;
and

(C) The youth conservation corps established under
chapter 193."

SECTION 3. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2014.
Report Title:
Rental Housing Trust Fund; Conveyance Tax

Description:
Restores the allocation of conveyance tax collections to the rental housing trust fund to fifty per cent beginning 7/1/2014.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
**SB2542 SD1 HD1 CD1**

**Measure Title:** RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND.  
**Report Title:** Rental Housing Trust Fund; Conveyance Tax  
**Description:** Restores the allocation of conveyance tax collections to the rental housing trust fund to 50% beginning July 1, 2014. (CD1)  
**Companion:** HB2500  
**Package:** Housing and Homeless Legislative Package  
**Current Referral:** HSG, WAL, FIN  
**Introducer(s):** CHUN OAKLAND, BAKER, IHARA, Galuteria

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<td>1/27/2014 S</td>
<td>The committee(s) on HMS deferred the measure until 01-27-14 1:15PM in conference room 229.</td>
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<tr>
<td>1/27/2014 S</td>
<td>The committee(s) on HMS recommend(s) that the measure be PASSED, UNAMENDED. The votes in HMS were as follows: 3 Aye(s): Senator(s) Chun Oakland, Green, Taniguchi; Aye(s) with reservations: none ; 0 No(es): none; and 2 Excused: Senator(s) Kidani, Slom.</td>
</tr>
<tr>
<td>2/6/2014 S</td>
<td>Reported from HMS (Stand. Com. Rep. No. 2095) with recommendation of passage on Second Reading and referral to WAM.</td>
</tr>
<tr>
<td>2/6/2014 S</td>
<td>Report adopted; Passed Second Reading and referred to WAM.</td>
</tr>
<tr>
<td>2/11/2014 S</td>
<td>The committee(s) on WAM will hold a public decision making on 02-13-14 9:30AM in conference room 211.</td>
</tr>
<tr>
<td>2/13/2014 S</td>
<td>The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 11 Aye(s): Senator(s) Ige, Kidani, Chun Oakland, English, Espero, Kahele, Keith-Agaran, Ruderman, L. Thielen, Tokuda; Aye(s) with reservations: Senator(s) Slom ; 0 No(es): none; and 2 Excused: Senator(s) Dela Cruz, Kouchi.</td>
</tr>
<tr>
<td>2/28/2014 S</td>
<td>Reported from WAM (Stand. Com. Rep. No. 2677) with recommendation of passage on Third Reading, as amended (SD 1).</td>
</tr>
<tr>
<td>3/4/2014 H</td>
<td>Received from Senate (Sen. Com. No. 230) in amended form (SD 1).</td>
</tr>
<tr>
<td>3/6/2014 H</td>
<td>Pass First Reading</td>
</tr>
<tr>
<td>3/6/2014 H</td>
<td>Referred to HSG, WAL, FIN, referral sheet 28</td>
</tr>
<tr>
<td>3/7/2014 H</td>
<td>Bill scheduled to be heard by HSG on Monday, 03-10-14 8:30AM in House conference room 329.</td>
</tr>
<tr>
<td>3/10/2014 H</td>
<td>The committees on HSG recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 7 Ayes: Representative(s) Hashem, Woodson, Belatti, Creagan, Kobayashi, Morikawa, Matsumoto; Ayes with reservations: none; Noes: none; and 3 Excused: Representative(s) Carroll, Jordan, Oshiro.</td>
</tr>
<tr>
<td>3/13/2014 H</td>
<td>Reported from HSG (Stand. Com. Rep. No. 926-14), recommending passage on Second Reading and referral to WAL.</td>
</tr>
<tr>
<td>Date</td>
<td>Action</td>
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<td>------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3/13/2014</td>
<td>H Passed Second Reading and referred to the committee(s) on WAL with none voting aye with reservations; none voting no (0) and Representative(s) Say excused (1).</td>
</tr>
<tr>
<td>3/14/2014</td>
<td>H Bill scheduled to be heard by WAL on Monday, 03-17-14 9:30AM in House conference room 325.</td>
</tr>
<tr>
<td>3/17/2014</td>
<td>H The committees on WAL recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 6 Ayes: Representative(s) Evans, Lowen, Cullen, Kawakami, Nishimoto, Thielen; Ayes with reservations: none; Noes: none; and 4 Excused: Representative(s) Hanohano, C. Lee, Say, Fale.</td>
</tr>
<tr>
<td>3/19/2014</td>
<td>H Reported from WAL (Stand. Com. Rep. No. 1040-14), recommending referral to FIN.</td>
</tr>
<tr>
<td>3/28/2014</td>
<td>H Bill scheduled to be heard by FIN on Monday, 03-31-14 2:00PM in House conference room 308.</td>
</tr>
<tr>
<td>3/31/2014</td>
<td>H The committees on FIN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 16 Ayes: Representative(s) Luke, Nishimoto, Johanson, Cullen, Ing, Jordan, Kobayashi, Lowen, Morikawa, Onishi, Takayama, Tokioka, Woodson, Yamashita, Fukumoto, Ward; Ayes with reservations: none; Noes: none; and 1 Excused: Representative(s) Hashem.</td>
</tr>
<tr>
<td>4/8/2014</td>
<td>H Passed Third Reading as amended in HD 1 with none voting aye with reservations; none voting no (0) and Representative(s) Belatti, Choy, Nishimoto excused (3). Transmitted to Senate.</td>
</tr>
<tr>
<td>4/10/2014</td>
<td>S Received from House (Hse. Com. No. 592).</td>
</tr>
<tr>
<td>4/10/2014</td>
<td>S Senate disagrees with House amendments.</td>
</tr>
<tr>
<td>4/10/2014</td>
<td>H Received notice of disagreement (Sen. Com. No. 670).</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>S Senate Conferees Appointed: Chun Oakland Chair; Ige Co-Chair; Keith-Agaran, Kidani, Taniguchi Members.</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>H House Conferees Appointed: Hashem, Evans, Nishimoto Co-Chairs; Cullen, Ward Members.</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>H Received notice of Senate conferees (Sen. Com. No. 674).</td>
</tr>
<tr>
<td>4/15/2014</td>
<td>S Received notice of appointment of House conferees (Hse. Com. No. 685).</td>
</tr>
<tr>
<td>4/16/2014</td>
<td>S Conference committee meeting scheduled for 04-17-14 1:30PM in conference room 229.</td>
</tr>
<tr>
<td>4/17/2014</td>
<td>S Conference committee meeting to reconvene on 04-21-14 9:00AM in conference room 423.</td>
</tr>
<tr>
<td>4/21/2014</td>
<td>S Conference committee meeting to reconvene on 04-22-14 10:30AM in conference room 229.</td>
</tr>
<tr>
<td>4/22/2014</td>
<td>S Conference committee meeting to reconvene on 04-23-14 4:00PM in conference room 423.</td>
</tr>
<tr>
<td>4/23/2014</td>
<td>S Conference committee meeting to reconvene on 04-25-14 12:30PM in conference room 229.</td>
</tr>
<tr>
<td>4/25/2014</td>
<td>S The Conference committee recommends that the measure be PASSED, WITH AMENDMENTS. The votes of the Senate Conference Managers were as follows: 3 Aye(s): Senator(s) Chun Oakland, Ige, Taniguchi; Aye(s) with reservations: none ; 0 No(es): none; and 2 Excused: Senator(s) Keith-Agaran, Kidani.</td>
</tr>
<tr>
<td>4/25/2014</td>
<td>H The Conference Committee recommends that the measure be Passed, with Amendments. The votes were as follows: 5 Ayes: Representative(s) Hashem, Evans, Nishimoto, Cullen, Ward; Ayes with reservations: none; 0 Noes: none; and 0 Excused: none.</td>
</tr>
<tr>
<td>4/25/2014</td>
<td>H Forty-eight (48) hours notice Tuesday 04-29-14.</td>
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<tr>
<td>Date</td>
<td>Chamber</td>
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<tr>
<td>4/29/2014</td>
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<tr>
<td>4/29/2014</td>
<td>H</td>
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<tr>
<td>4/30/2014</td>
<td>H</td>
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<tr>
<td>5/1/2014</td>
<td>S</td>
</tr>
<tr>
<td>5/2/2014</td>
<td>S</td>
</tr>
</tbody>
</table>

S = Senate  | H = House  | D = Data Systems  | $ = Appropriation measure  | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

**SB2542 SD1 HD1 CD1**
The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on July 1, 2014, the following bill was signed into law:

HB1671 HD1 SD1 CD1 RELATING TO TRANSIENT ACCOMMODATIONS TAX
ACT 174 (14)

Sincerely,

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

(1) $33,000,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

(2) $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

(B) Of the $82,000,000 allocated:
(i) $1,000,000 shall be allocated for the
operation of a Hawaiian center and the
museum of Hawaiian music and dance at the
Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be
transferred to a sub-account in the tourism
special fund to provide funding for a safety
and security budget, in accordance with the
Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special
fund after revenues have been deposited as
provided in this paragraph and except for any sum
authorized by the legislature for expenditure
from revenues subject to this paragraph,
beginning July 1, 2007, funds shall be deposited
into the tourism emergency trust fund,
established in section 201B-10, in a manner
sufficient to maintain a fund balance of
$5,000,000 in the tourism emergency trust fund;

(3) [$93,000,000] $103,000,000 for fiscal year 2014-2015,
$103,000,000 for fiscal year 2015-2016, and
$93,000,000 for each fiscal year thereafter shall be
allocated as follows: Kauai county shall receive 14.5 per cent, Hawaii county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that commencing with fiscal year 2018-2019, a sum that represents the difference between a county public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the county public employer's contributions into that trust fund shall be retained by the state director of finance and deposited to the credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42, if the respective county fails to remit the total amount of the county's required annual contributions, as required under section 87A-43; and

(4) Of the excess revenues deposited into the general fund pursuant to this subsection, $3,000,000 shall be allocated subject to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in
accordance with the Hawaii tourism authority strategic plan for:

(A) The protection, preservation, and enhancement of natural resources important to the visitor industry;
(B) Planning, construction, and repair of facilities; and
(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.

As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year.

SECTION 2. (a) There is established a state-county functions working group that shall:

(1) Evaluate the division of duties and responsibilities between the state and counties relating to the provision of public services; and
(2) Submit a recommendation to the legislature on the appropriate allocation of the transient accommodations tax revenues between the State and counties that properly reflects the division of duties and responsibilities relating to the provision of public services.

(b) The working group shall be composed of thirteen members appointed, without regard to section 26-34, Hawaii Revised Statutes, as follows:

(1) Four members, each of whom shall be appointed by a different county mayor;

(2) Four members appointed by the governor;

(3) Two members appointed by the president of the senate;

(4) Two members appointed by the speaker of the house of representatives; and

(5) One member appointed by the chief justice, who shall serve as the chair of the working group.

The members appointed under paragraphs (3), (4), and (5) shall not be currently employed by the State or any county.

(c) The working group shall be administratively placed in the office of the auditor. The auditor shall initiate the organization of and provide staff support for the working group.
(d) Members of the working group shall serve without compensation, but shall be reimbursed for necessary expenses incurred during the performance of their duties. The reimbursements shall be made by the auditor, who shall submit a request to the legislature for an appropriation equal to the reimbursements made and expected to be made. The auditor shall submit the requests for inclusion in the legislative budget acts of 2015 and 2016.

(e) The working group shall submit an interim report to the legislature, governor, and each county mayor and council not later than twenty days prior to the convening of the regular session of 2015.

The working group shall submit a final report with its findings and recommendations to the same parties not later than twenty days prior to the convening of the regular session of 2016.

(f) The working group shall cease to exist upon the adjournment sine die of the regular session of 2016.

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2014.
APPROVED this 1 day of JUL, 2014

GOVERNOR OF THE STATE OF HAWAII
Honolulu, Hawaii

April 25, 2014

RE: H.B. No. 1671
H.D. 1
S.D. 1
C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 1671, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS TAX,"

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 change the amount of transient accommodations tax revenues allocated to the counties from $93,000,000 to an unspecified percentage of revenues collected.

Your Committee on Conference finds that the Legislature, in enacting Act 161, Session Laws of Hawaii 2013, established a cap of $93,000,000 on the amount of transient accommodations tax revenues allocated to the counties. Your Committee on Conference believes that increasing the maximum amount of transient accommodations tax revenues allocated to the counties will allow the counties to better provide for public safety, parks, road maintenance, and visitor-related services.
However, your Committee on Conference believes that a study to determine the appropriate division of duties and responsibilities to provide public services should be conducted before permanently establishing the transient accommodations tax revenue allocations between the State and counties. In light of this belief, your Committee on Conference has amended this measure by:

(1) Changing the amount of transient accommodations tax revenues to be allocated to the counties from an unspecified percentage to $103,000,000 for fiscal year 2014-2015, $103,000,000 for fiscal year 2015-2016, and $93,000,000 for each fiscal year thereafter;

(2) Establishing a working group to evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services and recommend the appropriate amount of transient accommodations tax revenues to be allocated to the counties; and

(3) Changing the effective date to July 1, 2014.

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 H.B. No. 1671, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 1671, H.D. 1, S.D. 1, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE SENATE

GILBERT KAHELE, Chair
WILL ESPERO, Co-Chair
DAVID Y. IGE, Co-Chair

ON THE PART OF THE HOUSE

TOM BROWER, Co-Chair
SYLVIA LUKE, Co-Chair
Hawaii State Legislature

Record of Votes of a Conference Committee

<table>
<thead>
<tr>
<th>Bill / Concurrent Resolution No.:</th>
<th>Date/Time:</th>
</tr>
</thead>
<tbody>
<tr>
<td>HB 1671, HD 1, SD 1</td>
<td>4/23/14 5:57 p.m</td>
</tr>
</tbody>
</table>

- The recommendation of the House and Senate managers is to pass with amendments (CD).
- The Committee is reconsidering its previous decision.
- The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure.
- The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

<table>
<thead>
<tr>
<th>Senate Managers</th>
<th>A</th>
<th>WR</th>
<th>N</th>
<th>E</th>
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<tr>
<td>KAHELE, Gilbert, Chr.</td>
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<tr>
<td>ESPERO, Will, Co-Chr.</td>
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<td>IGE, David Y., Co-Chr.</td>
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<tr>
<td>GALUTERIA, Brickwood</td>
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<td>KIDANI, Michelle N.</td>
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<thead>
<tr>
<th>House Managers</th>
<th>A</th>
<th>WR</th>
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<th>E</th>
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</thead>
<tbody>
<tr>
<td>BROWER, Tom, Co-Chr.</td>
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<td>LUKE, Sylvia, Co-Chr.</td>
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<tr>
<td>CACHOLA, Romy M.</td>
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<td>JOHANSON, Aaron Ling</td>
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</table>

- Senate Recommendation is: Adopted
- House Recommendation is: Adopted

<table>
<thead>
<tr>
<th>Senate Lead Chair's or Designee's Signature:</th>
<th>House Lead Chair's or Designee's Signature:</th>
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</thead>
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<td>Senate Clerk's Office</td>
<td>Drafting Agency</td>
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</table>
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 1671, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to change the amount of transient accommodations tax revenues allocated to the counties from $93,000,000 to an unspecified percentage of revenues collected.

Your Committee received written comments in support of this measure from the City and County of Honolulu Office of the Mayor, the County of Hawaii Office of the Mayor, three County of Maui Council Members, two County of Hawaii Council Members, four County of Kauai Council Members, the Maui County Council, the Hawaii Council of Mayors, the Hawaii County Council, the Kauai County Council Chair, the Kauai County Council Vice Chair, two City and County of Honolulu City Council Members, the Paia Youth and Cultural Center, ILWU Local 142, the Hawaii Association of Vacation Rental Managers, and five individuals. Written comments in opposition were received from the Department of Budget and Finance. The Department of Taxation, Hawaii Lodging and Tourism Association, Maui Hotel and Lodging Association, and Tax Foundation of Hawaii submitted written comments.

Your Committee finds that this measure may increase the allocation of revenues to the counties that may be used to provide...
for public safety, parks, road maintenance, and visitor-related services.

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 H.B. No. 1671, H.D. 1, S.D. 1, and recommends that it pass Third Reading.

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

[Signature]

DAVID Y. IGE, Chair
The Senate
Twenty-Seventh Legislature
State of Hawai‘i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* HB1671 HD1 SD1 Committee Referral: TSM/PSM, WAM Date: 3-28-14

☐ The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to:

The Recommendation is:
☐ Pass, unamended 2312
☐ Pass, with amendments 2311
☐ Hold 2310
☐ Recommit 2313

<table>
<thead>
<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
<th>Excused</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGE, David Y. (C)</td>
<td>✓</td>
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<tr>
<td>KIDANI, Michelle N. (VC)</td>
<td>✓</td>
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<tr>
<td>CHUN OAKLAND, Suzanne</td>
<td>✓</td>
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<tr>
<td>DELA CRUZ, Donovan M.</td>
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<tr>
<td>ENGLISH, J. Kalani</td>
<td>✓</td>
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<td>ESPERO, Will</td>
<td>✓</td>
<td></td>
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<tr>
<td>KAHELE, Gilbert</td>
<td>✓</td>
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<tr>
<td>KEITH-AGARAN, Gilbert S.C.</td>
<td>✓</td>
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<td>KOUCHI, Ronald D.</td>
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<tr>
<td>RUDERMAN, Russell E.</td>
<td>✓</td>
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<tr>
<td>THIELEN, Laura H.</td>
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<td>TOKUDA, Jill N.</td>
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<td>SLOM, Sam</td>
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| Recommendation:          | ☑  |         |     |         |
|                         | Adopted | Not Adopted |

Chair’s or Designee’s Signature: [Signature]

Distribution:
Original File with Committee Report
Yellow Clerk’s Office
Pink Drafting Agency
Goldenrod Committee File Copy

*Only one measure per Record of Votes

Revised: 07/01/13
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:  

Your Committees on Tourism and Public Safety, Intergovernmental and Military Affairs, to which was referred H.B. No. 1671, H.D. 1, entitled:  

"A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS TAX,"  

beg leave to report as follows:  

The purpose and intent of this measure is to remove the current cap of $93,000,000 on the transient accommodations tax revenues to be distributed to the counties and instead distribute 44.8 percent of transient accommodation tax revenues collected to the counties.  

Your Committees received testimony in support of this measure from the Department of Finance, County of Kauai; Office of the Mayor, County of Hawaii; Office of the Mayor, County of Maui; Office of the Mayor, City and County of Honolulu; Hawaii County Council; County Council, County of Hawaii; Hawaii County Council, District 9; County Council, County of Maui; County Services Division, County of Kauai; City Council, City and County of Honolulu; Hawaii Council of Mayors; Poipu Beach Resort Association; ILWU Local 142; Hawaii Association of Vacation Rental Managers; and nine individuals. Your Committees received testimony in opposition to this measure from the Department of Budget and Finance and Department of Taxation. Your Committees received comments on this measure from the Tax Foundation of Hawaii.
Your Committees recognize the importance of county facilities and services to support and enhance the tourism industry. Your Committees further find that the counties maintain roads and parks and provide the law enforcement officers and first responders who serve residents and visitors. This measure ensures that tax revenues derived from guest visits to the different islands of Hawaii will help offset the costs of providing services that guests use while visiting the islands.

Your Committees have amended this measure by inserting a blank percentage of the transient accommodations tax revenues to be allocated to the counties.

Your Committees received oral testimony from county officials and individual county council members characterizing the intent of the Legislature as placing a "temporary" cap on the counties' share of transient accommodations tax revenues in passing Act 61, Session Laws of Hawaii 2009, and Act 103, Session Laws of Hawaii 2011. Your Committees also received written testimony characterizing the cap as having been "imposed" on the counties. Your Committees note, however, that in placing the $93,000,000 cap into effect in 2011, the State effectively guaranteed the counties a historically high share of revenues.

As affirmed by the records of votes of the members of your Committees on Tourism and Public Safety, Intergovernmental and Military Affairs that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1671, H.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1671, H.D. 1, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Tourism and Public Safety, Intergovernmental and Military Affairs,

WILL ESPERO, Chair

GILBERT KAHELE, Chair
Bill / Resolution No.: HB1671 HD1
Committee Referral: TSM/PSM, WAM
Date: 03/19/14

The committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to:

The Recommendation is:
- Pass, with amendments
- Hold
- Recommit

<table>
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<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
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<td>KAHELE, Gilbert (C)</td>
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<td>KEITH-AGARAN, Gilbert S.C. (VC)</td>
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<td>IGE, David Y.</td>
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<td>IHARA, Jr., Les</td>
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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*
The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to:

The Recommendation is:
- [ ] Pass, unamended 2312
- [x] Pass, with amendments 2311
- [ ] Hold 2310
- [ ] Recommit 2313

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<td>GALUTERIA, Brickwood</td>
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<td>GREEN, M.D., Josh</td>
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**TOTAL** 3 - - 2

Recommendation: [x] Adopted [ ] Not Adopted

Chair's or Designee's Signature: [Signature]

Distribution: Original File with Committee Report
Yellow Clerk's Office
Pink Drafting Agency
Goldenrod Committee File Copy

*Only one measure per Record of Votes*
A BILL FOR AN ACT

RELATING TO TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

(1) $33,000,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

(2) $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

(A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

(B) Of the $82,000,000 allocated:
(i) $1,000,000 shall be allocated for the
operation of a Hawaiian center and the
museum of Hawaiian music and dance at the
Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be
transferred to a sub-account in the tourism
special fund to provide funding for a safety
and security budget, in accordance with the
Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special
fund after revenues have been deposited as
provided in this paragraph and except for any sum
authorized by the legislature for expenditure
from revenues subject to this paragraph,
beginning July 1, 2007, funds shall be deposited
into the tourism emergency trust fund,
established in section 201B-10, in a manner
sufficient to maintain a fund balance of
$5,000,000 in the tourism emergency trust fund;

(3) [§$93,000,000] ____ per cent of the revenues collected
under this chapter shall be allocated as follows:

Kauai county shall receive 14.5 per cent, Hawaii
county shall receive 18.6 per cent, city and county of
Honolulu shall receive 44.1 per cent, and Maui county
shall receive 22.8 per cent; provided that commencing
with fiscal year 2018-2019, a sum that represents the
difference between a county public employer's annual
required contribution for the separate trust fund
established under section 87A-42 and the amount of the
county public employer's contributions into that trust
fund shall be retained by the state director of
finance and deposited to the credit of the county
public employer's annual required contribution into
that trust fund in each fiscal year, as provided in
section 87A-42, if the respective county fails to
remit the total amount of the county's required annual
contributions, as required under section 87A-43; and

(4) Of the excess revenues deposited into the general fund
pursuant to this subsection, $3,000,000 shall be
allocated subject to the mutual agreement of the board
of land and natural resources and the board of
directors of the Hawaii tourism authority in
accordance with the Hawaii tourism authority strategic
plan for:
(A) The protection, preservation, and enhancement of natural resources important to the visitor industry;

(B) Planning, construction, and repair of facilities; and

(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.

As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect on July 1, 2050.
Report Title:
Transient Accommodations Tax; Counties; Revenues

Description:
Removes the current cap on transient accommodations tax revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected. Effective July 1, 2050. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1671, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS TAX,"

c begs leave to report as follows:

The purpose of this measure is to assist the counties financially by removing the $93,000,000 cap on the Transient Accommodations Tax (TAT) revenues currently allocated to the counties and instead allocating TAT revenues to the counties according to a percentage of the total TAT revenues collected.

The Mayor of the City and County of Honolulu; Mayor of the County of Maui; Mayor of the County of Hawaii; Chair of Hawaii County Council; Chair of Kauai County Council; Chair of Maui County Council; Chair of Honolulu City Council; Chair of the Budget and Finance Committee of Maui County Council; Chair of the Human Services and Social Services Committee of Hawaii County Council and Councilmember of Hawaii County Council, District 8; Vice Chair of Kauai County Council; Vice Chair of Maui County Council; Councilmember of the City and County of Honolulu, District 4; Councilmember of Kauai County Council, District At Large; Councilmember of Hawaii County Council, District 4; Councilmember of Maui County Council, South Maui; Councilmember of Maui County Council, Molokai; Director of Finance of the County of Kauai; Outrigger Hotels Hawaii; and ILWU Local 142 supported this measure. The Department of Budget and Finance, Tax Foundation of
Hawaii, Hawaii Tourism Authority, and Hawai'i Lodging & Tourism Association commented on this measure.

Your Committee notes that the Transient Accommodations Tax has been the subject of considerable discussion and debate among policymakers regarding its effect as a significant revenue generator and funding source in the State. The economic downturn and slow periods of economic growth greatly lowered the amount of Transient Accommodations Tax and other tax revenues generated by the State, thus affecting the provision of government services to the community. The Legislature has been hard-pressed to make tough decisions to balance the State Budget while ensuring that health, education, pension, and other state services are met.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1671, H.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LUKE, Chair
Record of Votes of the Committee on Finance

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<th>Committee Referral:</th>
<th>Date:</th>
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<tr>
<td>HB 1671, HD1</td>
<td>TCU, FIN</td>
<td>2/25/2014</td>
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- The committee is reconsidering its previous decision on the measure.
- The recommendation is to: Pass, unamended (as is) ☑️ Pass, with amendments (HD) ☐ Hold ☐ Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
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<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
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<td>17. WARD, Gene</td>
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TOTAL (17) | 14 | 3 |

The recommendation is: ☑️ Adopted ☐ Not Adopted

If joint referral, committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature: [signature]

Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO
Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Tourism, to which was referred H.B. No. 1671 entitled:

"A BILL FOR AN ACT RELATING TO TRANSIENT ACCOMMODATIONS TAX,"

begs leave to report as follows:

The purpose of this measure is to assist the counties financially so they can better support tourism and tourism-related services by removing the current dollar amount cap on transient accommodations tax revenues to be distributed to the counties and establishing the distribution of these revenues as a percentage of transient accommodations tax collected.

The Hawaii Council of Mayors, Mayor of the City and County of Honolulu, Mayor of the County of Hawaii, Mayor of the County of Maui, the chair of the Honolulu City Council, the chair and two councilmembers of the Kauai County Council, the chair and three councilmembers of the Maui County Council, Director of Finance of the County of Kauai, Outrigger Hotels Hawaii, and two concerned individuals supported this measure. The Department of Budget and Finance, Hawaii Tourism Authority, and the Tax Foundation of Hawaii offered comments on this measure.

Your Committee has amended this measure by changing its effective date to July 1, 2050, to promote further discussion.
Your Committee understands that much of the cost associated with tourism are carried by the counties. This includes the ever-increasing costs of providing county services to these visitors. Your Committee is also aware that the counties have faced financial challenges in providing these county services since the cap on transient accommodations tax revenues distributed to the counties was put in place in 2011.

Accordingly, your Committee respectfully requests the Committee on Finance to thoroughly examine the transient accommodations tax allocations to the counties and evaluate the impact of the current transient accommodations tax rates on the gross rental or gross rental proceeds derived from furnishing transient accommodations.

As affirmed by the record of votes of the members of your Committee on Tourism that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1671, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1671, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Tourism,

TOM BROWER, Chair
Record of Votes of the Committee on Tourism

<table>
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<th>Bill/Resolution No.</th>
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- The committee is reconsidering its previous decision on the measure.
- The recommendation is to: Pass, unamended (as is) ☑  Pass with amendments (HD)  ☑  Hold  ☑  Pass short form bill with HD to recommit for future public hearing (recommit)

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- TOTAL (10) 6 2 2 2

The recommendation is: ☑ Adopted  ☑ Not Adopted

If joint referral committee acronym(s) did not support recommendation:

Vice Chair's or designee's signature: [Signature]

Distribution: Original (White) – Committee  Duplicate (Yellow) – Chief Clerk's Office  Duplicate (Pink) – HMSO
A BILL FOR AN ACT

RELATING TO TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

1. $33,000,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

2. $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:
   (A) Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;
   (B) Of the $82,000,000 allocated:
(i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph, beginning July 1, 2007, funds shall be deposited into the tourism emergency trust fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000 in the tourism emergency trust fund;

(3) [$93,000,000] 44.8 per cent of the revenues collected under this chapter shall be allocated as follows:

Kauai county shall receive 14.5 per cent, Hawaii
county shall receive 18.6 per cent, city and county of
Honolulu shall receive 44.1 per cent, and Maui county
shall receive 22.8 per cent; provided that commencing
with fiscal year 2018-2019, a sum that represents the
difference between a county public employer's annual
required contribution for the separate trust fund
established under section 87A-42 and the amount of the
county public employer's contributions into that trust
fund shall be retained by the state director of
finance and deposited to the credit of the county
public employer's annual required contribution into
that trust fund in each fiscal year, as provided in
section 87A-42, if the respective county fails to
remit the total amount of the county's required annual
contributions, as required under section 87A-43; and

(4) Of the excess revenues deposited into the general fund
pursuant to this subsection, $3,000,000 shall be
allocated subject to the mutual agreement of the board
of land and natural resources and the board of
directors of the Hawaii tourism authority in
accordance with the Hawaii tourism authority strategic
plan for:
(A) The protection, preservation, and enhancement of natural resources important to the visitor industry;
(B) Planning, construction, and repair of facilities;
and
(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.

As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect on July 1, 2050.
Report Title:
Transient Accommodations Tax; Counties; Revenues

Description:
Removes the current cap on transient accommodations tax revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected. Effective July 1, 2050. (HB1671 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
A BILL FOR AN ACT

RELATING TO TRANSIENT ACCOMMODATIONS TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 237D-6.5, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Revenues collected under this chapter shall be distributed as follows, with the excess revenues to be deposited into the general fund:

1 (1) $33,000,000 shall be allocated to the convention center enterprise special fund established under section 201B-8;

2 (2) $82,000,000 shall be allocated to the tourism special fund established under section 201B-11; provided that:

A Beginning on July 1, 2012, and ending on June 30, 2015, $2,000,000 shall be expended from the tourism special fund for development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii;

B Of the $82,000,000 allocated:
(i) $1,000,000 shall be allocated for the operation of a Hawaiian center and the museum of Hawaiian music and dance at the Hawaii convention center; and

(ii) 0.5 per cent of the $82,000,000 shall be transferred to a sub-account in the tourism special fund to provide funding for a safety and security budget, in accordance with the Hawaii tourism strategic plan 2005-2015; and

(C) Of the revenues remaining in the tourism special fund after revenues have been deposited as provided in this paragraph and except for any sum authorized by the legislature for expenditure from revenues subject to this paragraph, beginning July 1, 2007, funds shall be deposited into the tourism emergency trust fund, established in section 201B-10, in a manner sufficient to maintain a fund balance of $5,000,000 in the tourism emergency trust fund;

(3) [$93,000,000] 44.8 per cent of the revenues collected under this chapter shall be allocated as follows:

Kauai county shall receive 14.5 per cent, Hawaii
county shall receive 18.6 per cent, city and county of Honolulu shall receive 44.1 per cent, and Maui county shall receive 22.8 per cent; provided that commencing with fiscal year 2018-2019, a sum that represents the difference between a county public employer's annual required contribution for the separate trust fund established under section 87A-42 and the amount of the county public employer's contributions into that trust fund shall be retained by the state director of finance and deposited to the credit of the county public employer's annual required contribution into that trust fund in each fiscal year, as provided in section 87A-42, if the respective county fails to remit the total amount of the county's required annual contributions, as required under section 87A-43; and

(4) Of the excess revenues deposited into the general fund pursuant to this subsection, $3,000,000 shall be allocated subject to the mutual agreement of the board of land and natural resources and the board of directors of the Hawaii tourism authority in accordance with the Hawaii tourism authority strategic plan for:
(A) The protection, preservation, and enhancement of natural resources important to the visitor industry;

(B) Planning, construction, and repair of facilities; and

(C) Operation and maintenance costs of public lands connected with enhancing the visitor experience.

All transient accommodations taxes shall be paid into the state treasury each month within ten days after collection and shall be kept by the state director of finance in special accounts for distribution as provided in this subsection.

As used in this subsection, "fiscal year" means the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the following calendar year."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect on July 1, 2014.

INTRODUCED BY:
Report Title:
Transient Accommodations Tax; Counties; Revenues

Description:
Removes the current cap on transient accommodations tax revenues to be distributed to the counties and establishes the distribution of these revenues as a percentage of TAT collected.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Measure Title: RELATING TO TRANSIENT ACCOMMODATIONS TAX.

Report Title: Transient Accommodations Tax; Counties; Revenues

Description: Increases the current cap on transient accommodations tax revenues to be distributed to the counties for two fiscal years. Establishes a working group to determine future county allocation ceiling amounts and the appropriate division of the provision of public services between the State and counties. (CD1)

Companion: None

Current Referral: TSM/PSM, WAM

Introducer(s): SOUKI, CARROLL, ING, MCKELVEY, WOODSON, YAMASHITA

Sort by Date Text

1/14/2014 H Prefiled

1/15/2014 H Introduced and Passed First Reading

1/21/2014 H Referred to TOU, FIN, referral sheet 3

1/29/2014 H Bill scheduled to be heard by TOU on Monday, 02-03-14 9:30AM in House conference room 312.

2/3/2014 H The committees on TOU recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 8 Ayes: Representative(s) Brower, Cachola, Awana, Choy, Tokioka, Tsuji; Ayes with reservations: Representative(s) Ohno, Ward; Noes: none; and 2 Excused: Representative(s) Onishi, Takai.

2/5/2014 H Reported from TOU (Stand. Com. Rep. No. 160-14) as amended in HD 1, recommending passage on Second Reading and referral to FIN.

2/5/2014 H Passed Second Reading as amended in HD 1 and referred to the committee(s) on FIN with Representative(s) Fale, Ward voting aye with reservations; none voting no (0) and Representative(s) Yamane excused (1).

2/21/2014 H Bill scheduled to be heard by FIN on Tuesday, 02-25-14 11:15AM in House conference room 308.

2/25/2014 H The committees on FIN recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 17 Ayes: Representative(s) Luke, Nishimoto, Johanson, Hashem, Ing, Jordan, Lowen, Morikawa, Takayama, Tokioka, Woodson, Yamashita, Fukumoto, Ward; Ayes with reservations: Representative(s) Cullen, Kobayashi, Onishi; Noes: none; and Excused: none.


2/28/2014 H Passed Third Reading with none voting aye with reservations; Representative(s) Awana, Cullen, Hanohano voting no (3) and Representative(s) Carroll, Creagan, Har, C. Lee, Thielen, Woodson excused (6). Transmitted to Senate.

3/4/2014 S Received from House (Hse. Com. No. 129).


3/6/2014 S Referred to TSM/PSM, WAM.

3/17/2014 S The committee(s) on TSM/PSM has scheduled a public hearing on 03-19-14 2:40PM in conference room 229.

3/19/2014 S The committee(s) on PSM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in PSM were as follows: 3 Aye(s): Senator(s) Espero, Baker, Galuteria; Aye(s) with reservations: none ; 0 No(es): none; and 2 Excused: Senator(s) Green, Slom.

3/19/2014 S The committee(s) on TSM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in TSM were as follows: 3 Aye(s): Senator(s) Kahele, Keith-
<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
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<tbody>
<tr>
<td>3/21/2014</td>
<td>S Reported from TSM/PSM (Stand. Com. Rep. No. 3063) with recommendation of passage on Second Reading, as amended (SD 1) and referral to WAM.</td>
</tr>
<tr>
<td>3/21/2014</td>
<td>S Report adopted; Passed Second Reading, as amended (SD 1) and referred to WAM.</td>
</tr>
<tr>
<td>3/25/2014</td>
<td>S The committee(s) on WAM will hold a public decision making on 03-28-14 9:15AM in conference room 211.</td>
</tr>
<tr>
<td>3/28/2014</td>
<td>S The committee(s) on WAM recommend(s) that the measure be PASSED, UNAMENDED. The votes in WAM were as follows: 11 Aye(s): Senator(s) Ige, Kidani, Dela Cruz, English, Espero, Kahele, Keith-Agaran, Kouchi, Ruderman, L. Thielen, Tokuda; Aye(s) with reservations: none; 1 No(es): Senator(s) Slom; and 1 Excused: Senator(s) Chun Oakland.</td>
</tr>
<tr>
<td>4/10/2014</td>
<td>H House disagrees with Senate amendment(s).</td>
</tr>
<tr>
<td>4/11/2014</td>
<td>S Received notice of disagreement (Hse. Com. No. 676).</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>S Senate Conferees Appointed: Kahele Chair; Espero, Ige Co-Chairs; Galuteria, Kidani Members.</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>H House Conferees Appointed: Brower, Luke Co-Chairs; Cachola, Johanson Members.</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>H Received notice of Senate conferees (Sen. Com. No. 673).</td>
</tr>
<tr>
<td>4/15/2014</td>
<td>H Bill scheduled for Conference Committee Meeting on Thursday, 04-17-14 10:00AM in conference room 312.</td>
</tr>
<tr>
<td>4/17/2014</td>
<td>H Conference Committee Meeting will reconvene on Monday 04-21-14 4:30PM in conference room 312.</td>
</tr>
<tr>
<td>4/21/2014</td>
<td>H Conference Committee Meeting will reconvene on Wednesday 04-23-14 4:30PM in conference room 312.</td>
</tr>
<tr>
<td>4/23/2014</td>
<td>H Conference Committee Meeting will reconvene on Friday 04-25-14 10:00AM in conference room 312.</td>
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<tr>
<td>4/25/2014</td>
<td>S Conference committee meeting to reconvene on 04-25-14 2:30PM in conference room 312.</td>
</tr>
<tr>
<td>4/24/2014</td>
<td>S Conference committee meeting to reconvene on 04-25-14 4:30PM in conference room 312.</td>
</tr>
<tr>
<td>4/25/2014</td>
<td>S Conference committee meeting to reconvene on 04-25-14 5:00PM in conference room 309.</td>
</tr>
<tr>
<td>4/25/2014</td>
<td>S The Conference committee recommends that the measure be PASSED, WITH AMENDMENTS. The votes of the Senate Conference Managers were as follows: 4 Aye(s): Senator(s) Kahele, Ige, Galuteria, Kidani; Aye(s) with reservations: none; 0 No(es): none; and 1 Excused: Senator(s) Espero.</td>
</tr>
<tr>
<td>4/25/2014</td>
<td>H The Conference Committee recommends that the measure be Passed, with Amendments. The votes were as follows: 4 Ayes: Representative(s) Brower, Luke, Cachola, Johanson; Ayes with reservations: none; 0 Noes: none; and 0 Excused: none.</td>
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<tr>
<td>4/25/2014</td>
<td>H Forty-eight (48) hours notice Tuesday, 04-29-14.</td>
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<tr>
<td>4/29/2014</td>
<td>S Passed Final Reading, as amended (CD 1). 25 Aye(s); Aye(s) with reservations: Senator(s) Taniguchi; 0 No(es): none. 0 Excused: none.</td>
</tr>
<tr>
<td>4/29/2014</td>
<td>H Passed Final Reading as amended in CD 1 with Representative(s) Kawakami voting aye with reservations; none voting no (0) and Representative(s) Ito excused (1).</td>
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</tbody>
</table>
Measure Status

http://capitol.hawaii.gov/measure_indiv.aspx?billtype=HB&billnumber=...

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<thead>
<tr>
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<tbody>
<tr>
<td>4/30/2014</td>
<td>H  Received notice of Final Reading (Sen. Com. No. 720).</td>
</tr>
<tr>
<td>5/1/2014</td>
<td>S  Received notice of passage on Final Reading in House (Hse. Com. No. 751).</td>
</tr>
<tr>
<td>5/5/2014</td>
<td>H  Transmitted to Governor.</td>
</tr>
</tbody>
</table>

S = Senate  | H = House  | D = Data Systems  | $ = Appropriation measure  | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

HB1671 HD1 SD1 CD1
Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on July 1, 2014, the following bill was signed into law:

HB1702 HD2 SD2 CD1 RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT ACT 200 (14)

Sincerely,

NEIL ABERCROMBIE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that development of a new overseas container terminal and piers at the lower Kapalama military reservation site requires improvements on fast and submerged lands associated with piers twenty-four through twenty-eight to accommodate maritime dependent operators at Kapalama who are to be evicted and displaced. The total cost for the proposed master plan at the Kapalama site is estimated to be $243,000,000, which is being financed entirely by the State through revenue bonds and revenues from harbor tariffs and leases. None of these funds, however, will go toward assisting displaced maritime and waterfront dependent tenants of the Kapalama site. The displaced tenants will be relocated to various piers that have limited infrastructure, facilities, and utilities. These tenants must find ways to finance not only their move, but also significant capital improvements to state-owned land.

The legislature finds that the Kapalama container terminal project is critical to modernizing commercial harbors and that
completion of the project will assure that harbor infrastructure is adequate to support sustained economic growth. The legislature also finds that supporting those maritime and waterfront dependent tenants displaced by the Kapalama container terminal project will facilitate the growth of commerce in the State and support maritime jobs. In light of state support provided for University of Hawaii-related tenants that have been displaced by the Kapalama container terminal project, the legislature finds it prudent and fair to also support the maritime dependent operators in Kapalama who are being displaced by the project. The solution proposed in this Act is to provide a capital infrastructure tax credit to help displaced tenants raise private equity capital. This approach is expected to:

1. Mobilize private equity and near-equity capital for investment in critical waterfront infrastructure in Honolulu harbor;
2. Retain the private sector culture of focusing on rate of return in the investing process;
3. Secure and retain the services of high quality trade labor in the maritime industry in Hawaii; and
(4) Accomplish the foregoing in a return-driven manner with the goal of minimizing any adverse impact on state tax revenues.

Accordingly, the purpose of this Act is to establish a capital infrastructure tax credit to help tenants displaced by the Kapalama container terminal project in raising capital to make improvements on state-owned property upon relocation.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Capital infrastructure tax credit. (a) There shall be allowed to each taxpayer subject to the taxes imposed by this chapter a capital infrastructure tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the capital infrastructure costs were paid or incurred.

(b) For the purpose of this section:

"Base investment" means the amount of money invested by an investor.

"Capital infrastructure costs" means capital expenditures, as used in section 263 of the Internal Revenue Code and the regulations promulgated thereunder; provided that the capital
expenditures are for real property and fixtures that are paid or incurred in connection with the displaced tenant's move of the tenant's current active trade or business to the tenant's new location; provided further that the capital infrastructure costs shall not include amounts for which another credit is claimed.

"Net income tax liability" means income tax liability reduced by all other credits allowed under this chapter.

"Qualified infrastructure tenant" means a business:

(1) That currently owns capital or property or maintains an office, operations, or facilities at the former Kapalama military reservation site;

(2) Whose principal business is maritime, and waterfront dependent, and is included under the State's plan to relocate the business to piers twenty-four through twenty-eight within Honolulu harbor; and

(3) Will be displaced and relocated by the State pursuant to the Kapalama container terminal project.

(c) The amount of the tax credit shall be equal to fifty per cent of the capital infrastructure costs paid or incurred by the qualified infrastructure tenant during the taxable year up to a maximum of $2,500,000 in capital infrastructure costs in any taxable year, provided that the qualified infrastructure
tenant shall notify the taxpayer claiming the credit under subsection (a) of the amount of capital infrastructure costs which may be claimed.  

(d) In the case of an entity taxed as a partnership, credit shall be determined at the entity level, but distribution and share of the credit may be determined notwithstanding section 704 of the Internal Revenue Code.  

(e) The credit allowed under this section shall be claimed against the net income tax liability for the taxable year. If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the tax credit over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted. All claims, including amended claims, for a tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.  

(f) This section shall not apply to taxable years beginning after December 31, 2019.
(g) Any credit claimed under this section shall be recaptured following the close of the taxable year for which the credit is claimed if within three years:

1. The qualified infrastructure tenant fails to continue the line of business it conducted as of July 1, 2014;

2. or

3. The interest in the qualified infrastructure tenant, whether in whole or in part, has been sold, exchanged, withdrawn, or otherwise disposed of by the taxpayer claiming a credit under this section.

The recapture shall be equal to one hundred per cent of the amount of the total tax credit claimed under this section in the preceding five taxable years, and shall be added to the taxpayer's tax liability for the taxable year in which the recapture occurs pursuant to this subsection.

(h) The director of taxation shall prepare any forms that may be necessary to claim a credit under this section. The director may also require the taxpayer to furnish information to ascertain the validity of the claim for credit made under this section. The director of taxation may adopt rules to effectuate the purposes of this section pursuant to chapter 91."
SECTION 3. Chapter 241, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§241- Capital infrastructure tax credit. The capital infrastructure tax credit established by section 235- shall be operative for this chapter for taxable years beginning after December 31, 2013."

SECTION 4. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect on July 1, 2014, and shall apply to taxable years beginning after December 31, 2013.

APPROVED this 1 day of JUL, 2014

GOVERNOR OF THE STATE OF HAWAII

[Signature]
Honolulu, Hawaii
April 25, 2014

RE: H.B. No. 1702
H.D. 2
S.D. 2
C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 1702, H.D. 2, S.D. 2, entitled:

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

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 support those who are being displaced by the Kapalama container terminal project by establishing a capital infrastructure tax credit for taxpayers who invest in tenants displaced by the Kapalama container terminal project.

Your Committee on Conference has amended this measure by:

(1) Specifying that the capital infrastructure tax credit shall be for taxpayers for capital infrastructure costs that were paid or incurred;
(2) Clarifying the definition of "capital infrastructure costs" and that it shall not include amounts for which another credit is claimed;

(3) Removing ship repair from the list of principal businesses in the definition of qualified infrastructure tenant;

(4) Specifying that the tax credit shall be equal to fifty percent of the capital infrastructure costs paid or incurred by the qualified infrastructure tenant during the taxable year up to a cap of $2,500,000 in any taxable year;

(5) Requiring notice from the qualified infrastructure tenant to the taxpayer claiming the credit of the amount of costs that may be claimed;

(6) Clarifying that the credit shall be determined for a partnership at the entity level;

(7) Specifying that the tax credit may be recaptured within three years under certain conditions and the recapture percentage based on the credit claimed;

(8) Changing the effective date to July 1, 2014;

(9) Removing language pertaining to the inapplicability of section 704(b)(2) of the Internal Revenue Code to allocations of the capital infrastructure tax credit; and

(10) Making technical, nonsubstantive amendments for clarity, consistency, 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 H.B. No. 1702, H.D. 2, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 1702, H.D. 2, S.D. 2, C.D. 1.
Respectfully submitted on behalf of the managers:

ON THE PART OF THE SENATE

DONOVAN M. DELA CRUZ, Chair

MICHELLE N. KIDANI, Co-Chair

ON THE PART OF THE HOUSE

RYAN I. YAMANE, Co-Chair

SCOTT Y. NISHIMOTO, Co-Chair
Bill / Concurrent Resolution No.: HB 1702, HD 2, SD 2

Date/Time: 4/25/2014 5:50 pm

☑ The recommendation of the House and Senate managers is to pass with amendments (CD).

☐ The Committee is reconsidering its previous decision.

☐ The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure.

☐ The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

<table>
<thead>
<tr>
<th>Senate Managers</th>
<th>A</th>
<th>WR</th>
<th>N</th>
<th>E</th>
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<td>DELA CRUZ, Donovan M., Chr.</td>
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<td>KIDANI, Michelle N., Co-Chr.</td>
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<td>WAKAI, Glenn</td>
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<tr>
<th>House Managers</th>
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<td>YAMANE, Ryan I., Co-Chr.</td>
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<td>NISHIMOTO, Scott Y., Co-Chr.</td>
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<td>TAKAYAMA, Gregg</td>
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<td>WARD, Gene</td>
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TOTAL 3 0 0 0

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

Senate Recommendation is: ☑ Adopted ☐ Not Adopted

House Recommendation is: ☐ Adopted ☐ Not Adopted

Senate Chair's or Designee's Signature: [Signature]

House Lead Chair's or Designee's Signature: [Signature]

Distribution: Original File with Conference Committee Report

File with Conference Committee Report Yellow House Clerk's Office

Pink Senate Clerk's Office

Goldenrod Drafting Agency
Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii  

Madam:  

Your Committee on Ways and Means, to which was referred H.B. No. 1702, H.D. 2, S.D. 1, entitled:  

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

begs leave to report as follows:  

The purpose and intent of this measure is to support maritime dependent operators who are being displaced by the Kapalama container terminal project.  

More specifically, this measure:  

(1) Establishes a nonrefundable capital infrastructure tax credit for taxpayers who invest in tenants displaced by the Kapalama container terminal project;  

(2) Allows allocations of the capital infrastructure tax credit to a partner under a partnership agreement even if the allocation does not have substantial economic effect; and  

(3) Recaptures a portion of the capital infrastructure tax credit if certain conditions are not met at the close of any taxable year.  

Your Committee received written comments in support of this measure from The Chamber of Commerce of Hawaii, Pacific Marine,
Pacific Shipyards International, Ship Repair Association of Hawaii, and seventy-two individuals. Written comments in opposition were received from Department of Taxation. The Department of Transportation and the Tax Foundation of Hawaii submitted written comments on the measure.

Your Committee recognizes that the Kapalama container terminal project is critical to modernizing commercial harbors and that completion of the project will ensure that harbor infrastructure will support sustained economic growth. Your Committee notes that no funds have been set aside to assist displaced maritime and waterfront dependent tenants of the Kapalama site. Your Committee finds that the displaced tenants will be relocated to various piers that have limited infrastructure, facilities, and utilities, which will require significant capital improvement to state-owned land. In light of state support provided for University of Hawaii-related tenants who have been displaced by the Kapalama container terminal project, your Committee believes that it is also appropriate to support the maritime dependent operators in Kapalama who are being displaced by the project.

Your Committee has amended this measure by:

(1) Defining the term "base investment;" and

(2) 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 H.B. No. 1702, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1702, H.D. 2, S.D. 2.

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

DAVID Y. IGE, Chair
The committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to:

The Recommendation is:

- [ ] Pass, unamended
- [ ] Pass, with amendments
- [x] Pass, with amendments
- [ ] Hold
- [ ] Recommit

<table>
<thead>
<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
<th>Nay</th>
<th>Excused</th>
</tr>
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<tbody>
<tr>
<td>IGE, David Y. (C)</td>
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<td>KIDANI, Michelle N. (VC)</td>
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<td>CHUN OAKLAND, Suzanne</td>
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<td>DELA CRUZ, Donovan M.</td>
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<td>ENGLISH, J. Kalani</td>
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<td>ESPERO, Will</td>
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<td>RUDERMAN, Russell E.</td>
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<td>TOKUDA, Jill N.</td>
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<td>SLOM, Sam</td>
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</table>

Recommendation: [ ] Adopted [ ] Not Adopted

Chair's or Designee's Signature: [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*
A BILL FOR AN ACT

RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that development of a new overseas container terminal and piers at the lower Kapalama military reservation site requires improvements on fast and submerged lands associated with piers twenty-four through twenty-eight to accommodate maritime dependent operators at Kapalama who are to be evicted and displaced. The total cost for the proposed master plan at the Kapalama site is estimated to be $243,000,000, which is being financed entirely by the State through revenue bonds and revenues from harbor tariffs and leases. None of these funds, however, will go toward assisting displaced maritime and waterfront dependent tenants of the Kapalama site. The displaced tenants will be relocated to various piers that have limited infrastructure, facilities, and utilities. These tenants must find ways to finance not only their move, but also significant capital improvements to state-owned land.

The legislature finds that the Kapalama container terminal project is critical to modernizing commercial harbors and that

HB1702 SD2 LRB 14-2357.doc
completion of the project will assure that harbor infrastructure is adequate to support sustained economic growth. The legislature also finds that supporting those maritime and waterfront dependent tenants displaced by the Kapalama container terminal project will facilitate the growth of commerce in the State and support maritime jobs. In light of state support provided for University of Hawaii-related tenants that have been displaced by the Kapalama container terminal project, the legislature finds it prudent and fair to also support the maritime dependent operators in Kapalama who are being displaced by the project. The solution proposed in this Act is to provide a capital infrastructure tax credit to help displaced tenants raise private equity capital. This approach is expected to:

(1) Mobilize private equity and near-equity capital for investment in critical waterfront infrastructure in Honolulu harbor;

(2) Retain the private sector culture of focusing on rate of return in the investing process;

(3) Secure and retain the services of high quality trade labor in the maritime industry in Hawaii; and
(4) Accomplish the foregoing in a return-driven manner with the goal of minimizing any adverse impact on state tax revenues.

Accordingly, the purpose of this Act is to establish a capital infrastructure tax credit to help tenants displaced by the Kapalama container terminal project in raising capital to make improvements on state-owned property upon relocation.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Capital infrastructure tax credit. (a) There shall be allowed to each investor subject to the taxes imposed by this chapter a capital infrastructure tax credit for an investment in a qualified infrastructure tenant that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the capital infrastructure investment was made; provided that the credit is properly claimed.

(b) For the purpose of this section:

"Base investment" means the amount of money invested by an investor.
"Capital infrastructure costs" means capital expenditures, as used in section 263 of the Internal Revenue Code and the regulations promulgated thereunder; provided that the capital expenditures are paid or incurred in connection with the displaced tenant's move of the tenant's current active trade or business to the tenant's new location.

"Net income tax liability" means income tax liability reduced by all other credits allowed under this chapter.

"Qualified infrastructure tenant" means a business that:

1. Currently owns capital or property or maintains an office, operations, or facilities at the former Kapalama military reservation site;
2. Whose principal business is ship repair, maritime, and waterfront dependent, and is included under the State's plan to relocate the business to piers twenty-four through twenty-eight within Honolulu harbor; and
3. Will be displaced and relocated by the State pursuant to the Kapalama container terminal project.

The amount of the tax credit shall be equal to per cent of the capital infrastructure costs incurred by the taxpayer during the taxable year up to a maximum of $ in capital infrastructure costs in any taxable year.
(d) The credit allowed under this section shall be claimed against the net income tax liability for the taxable year. If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the tax credit over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted. All claims, including amended claims, for a tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

(e) This section shall not apply to taxable years beginning after December 31, 2019.

(f) If at the close of any taxable year:

(1) The qualified infrastructure tenant no longer fulfills the requirements under subsection (b);

(2) The qualified infrastructure tenant or an interest in the qualified infrastructure tenant has been sold by the taxpayer making a base investment in the qualified infrastructure tenant; or
(3) The taxpayer has withdrawn the taxpayer's base investment wholly or partially from the qualified infrastructure tenant, the tax credit claimed under this section shall be recaptured. The recapture shall be equal to per cent of the amount of the total tax credit claimed under this section in the preceding five taxable years. The amount of the tax credit recaptured shall apply only to the investment in capital infrastructure costs as defined in subsection (b). The amount of the recaptured tax credit determined under this subsection shall be added to the taxpayer's tax liability for the taxable year in which the recapture occurs pursuant to this subsection.

(g) The director of taxation shall prepare any forms that may be necessary to claim a credit under this section. The director may also require the taxpayer to furnish information to ascertain the validity of the claim for credit made under this section. The director of taxation may adopt rules to effectuate the purposes of this section pursuant to chapter 91."

SECTION 3. Section 235-2.45, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) Section 704 of the Internal Revenue Code (with respect to a partner's distributive share) shall be operative
for purposes of this chapter; except that section 704(b)(2) shall not apply to:

(1) Allocations of the high technology business investment tax credit allowed by section 235-110.9 for investments made before May 1, 2009;

(2) Allocations of net operating loss pursuant to section 235-111.5;

(3) Allocations of the attractions and educational facilities tax credit allowed by section 235-110.46;

[ex]

(4) Allocations of low-income housing tax credits among partners under section 235-110.8[+]; or

(5) Allocations of the capital infrastructure tax credit allowed by section 235-____."

SECTION 4. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.
SECTION 6. This Act shall take effect on July 1, 2050, and shall apply to taxable years beginning after December 31, 2013.
Report Title:
Capital Infrastructure Tax Credit; Kapalama Container Terminal Project; Displaced Tenants

Description:
Creates a capital infrastructure tax credit for investors who invest in qualified infrastructure tenants who are displaced by the Kapalama container terminal project. Allows allocations of the capital infrastructure tax credit to a partner under a partnership agreement even if the allocation does not have substantial economic effect. Recaptures an unspecified percentage of the capital infrastructure tax credit if the qualified infrastructure tenant does not meet certain conditions at the close of any taxable year. Effective 7/1/2050. (SD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*
Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Economic Development, Government Operations, and Housing, to which was referred H.B. No. 1702, H.D. 2, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to create a capital infrastructure tax credit for tenants displaced by the Kapalama container terminal project and banks and other financial corporations for costs related to capital investments on state land incurred due to the displacement.

Your Committee received testimony in support of this measure from The Chamber of Commerce of Hawaii, Pacific Shipyards International, and seventy individuals. Your Committee received testimony in opposition to this measure from the Department of Taxation. Your Committee received comments on this measure from the Department of Transportation and Tax Foundation of Hawaii.

Your Committee finds that development of a new overseas container terminal and piers at the lower Kapalama military reservation site requires improvements on fast and submerged lands associated with piers twenty-four through twenty-eight to accommodate maritime dependent operators at Kapalama who are to be evicted and displaced. The total cost for the proposed master plan at the Kapalama site is estimated to be $243,000,000.
However, none of these funds will go toward assisting displaced maritime and waterfront dependent tenants of the Kapalama site. These tenants must find ways to finance not only their move, but also significant capital improvements to state-owned land.

Your Committee has amended this measure by deleting its contents and inserting the contents of S.B. No. 2322, S.D. 2, which are substantively similar, except that the measure:

1. Allows investors who make investments in qualified infrastructure tenants, rather than the qualified infrastructure tenants, to qualify for the capital infrastructure tax credit;

2. Defines "capital infrastructure costs" to mean capital expenditures, as defined in Section 263 of the Internal Revenue Code and the regulations promulgated thereunder; provided that the capital expenditures are paid or incurred in connection with the displaced tenant's move of the tenant's current active trade or business to the tenant's new location;

3. Recaptures an unspecified percentage of the capital infrastructure tax credit if the qualified infrastructure tenant does not meet certain conditions at the close of any taxable year;

4. Requires the Director of Taxation to prepare any forms that may be necessary to claim a credit under this measure; and

5. Has an effective date of July 1, 2050, and does not include a repeal date.

As affirmed by the record of votes of the members of your Committee on Economic Development, Government Operations and Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1702, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1702, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.
Respectfully submitted on behalf of the members of the Committee on Economic Development, Government Operations and Housing,

[Signature]

DONOVAN M. DELA CRUZ, Chair
## Record of Votes
Committee on Economic Development, Government Operations and Housing
EGH

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<tr>
<td>HB1762</td>
<td>EGH</td>
<td>3/10/14</td>
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*Only one measure per Record of Votes

<table>
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<tr>
<th>The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to:</th>
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</table>

The Recommendation is:

- [ ] Pass, unamended
- [x] Pass, with amendments
- [ ] Hold
- [ ] Recommit

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<tr>
<th>Members</th>
<th>Aye</th>
<th>Aye (WR)</th>
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<tr>
<td>DELA CRUZ, Donovan M. (C)</td>
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<td>SLOM, Sam (VC)</td>
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<td>BAKER, Rosalyn H.</td>
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<td>CHUN OAKLAND, Suzanne</td>
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<td>ENGLISH, J. Kalani</td>
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<td>THIELEN, Laura H.</td>
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| TOTAL                       | 4   | 0        | 0   | 3       |

Recommendation: [x] Adopted
[ ] Not Adopted

Chair's or Designee's Signature:

Distribution:
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Revised: 07/01/13
A BILL FOR AN ACT

RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that development of a new overseas container terminal and piers at the lower Kapalama military reservation site requires improvements on fast and submerged lands associated with piers twenty-four through twenty-eight to accommodate maritime dependent operators at Kapalama who are to be evicted and displaced. The total cost for the proposed master plan at the Kapalama site is estimated to be $243,000,000, which is being financed entirely by the State through revenue bonds and revenues from harbor tariffs and leases. None of these funds, however, will go toward assisting displaced maritime and waterfront dependent tenants of the Kapalama site. The displaced tenants will be relocated to various piers that have limited infrastructure, facilities, and utilities. These tenants must find ways to finance not only their move, but also significant capital improvements to state-owned land.

The legislature finds that the Kapalama container terminal project is critical to modernizing commercial harbors and that
Completion of the project will assure that harbor infrastructure is adequate to support sustained economic growth. The legislature also finds that supporting those maritime and waterfront dependent tenants displaced by the Kapalama container terminal project supports the growth of commerce in the State and supports maritime jobs. In light of state support provided for University of Hawaii-related tenants that have been displaced by the Kapalama container terminal project, the legislature finds it prudent and fair to also support the maritime dependent operators in Kapalama who are being displaced by the project. The solution proposed in this Act is to provide a capital infrastructure tax credit to help displaced tenants raise private equity capital. This approach is expected to:

1. Mobilize private equity and near-equity capital for investment in critical waterfront infrastructure in Honolulu harbor;
2. Retain the private sector culture of focusing on rate of return in the investing process;
3. Secure and retain the services of high quality trade labor in the maritime industry in Hawaii; and
(4) Accomplish the foregoing in a return-driven manner with the goal of minimizing any adverse impact on state tax revenues.

Accordingly, the purpose of this Act is to establish a capital infrastructure tax credit to help tenants displaced by the Kapalama container terminal project in raising capital to make improvements on state-owned property upon relocation.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Capital infrastructure tax credit. (a) There shall be allowed to each investor subject to the taxes imposed by this chapter a capital infrastructure tax credit for an investment in a qualified infrastructure tenant that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the capital infrastructure investment was made; provided that the credit is properly claimed.

(b) For the purpose of this section:

"Capital infrastructure costs" means capital expenditures, as defined in Section 263 of the Internal Revenue Code and the regulations promulgated thereunder; provided that the capital
expenditures are paid or incurred in connection with the
displaced tenant's move of the tenant's current active trade or
business to the tenant's new location.

"Net income tax liability" means income tax liability
reduced by all other credits allowed under this chapter.

"Qualified infrastructure tenant" means a business that:

(1) Currently owns capital or property or maintains an
office, operations, or facilities at the former
Kapalama military reservation site;

(2) Whose principal business is ship repair, maritime, and
waterfront dependent, and is included under the
State's plan to relocate the business to piers twenty-
four through twenty-eight within Honolulu harbor; and

(3) Will be displaced and relocated by the State pursuant
to the Kapalama container terminal project.

(c) The amount of the tax credit shall be equal to
per cent of the capital infrastructure costs incurred by the
taxpayer during the taxable year up to a maximum of $ in capital infrastructure costs in any taxable year.

(d) The credit allowed under this section shall be claimed
against the net income tax liability for the taxable year. If
the tax credit under this section exceeds the taxpayer's income
tax liability, the excess of the tax credit over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted. All claims, including amended claims, for a tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

(e) This section shall not apply to taxable years beginning after December 31, 2019.

(f) If at the close of any taxable year:

(1) The qualified infrastructure tenant no longer qualifies for the tax credit established under this section;

(2) The qualified infrastructure tenant or an interest in the qualified infrastructure tenant has been sold by the taxpayer making a base investment in the qualified infrastructure tenant; or

(3) The taxpayer has withdrawn the taxpayer's base investment wholly or partially from the qualified infrastructure tenant,

the tax credit claimed under this section shall be recaptured.
The recapture shall be equal to per cent of the amount of the total tax credit claimed under this section in the preceding five taxable years. The amount of the tax credit recaptured shall apply only to the investment in capital infrastructure costs as defined in subsection (b). The amount of the recaptured tax credit determined under this subsection shall be added to the taxpayer's tax liability for the taxable year in which the recapture occurs pursuant to this subsection.

(g) The director of taxation shall prepare any forms that may be necessary to claim a credit under this section. The director may also require the taxpayer to furnish information to ascertain the validity of the claim for credit made under this section. The director of taxation may adopt rules to effectuate the purposes of this section pursuant to chapter 91."

SECTION 3. Section 235-2.45, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) Section 704 of the Internal Revenue Code (with respect to a partner's distributive share) shall be operative for purposes of this chapter; except that section 704(b)(2) shall not apply to:
(1) Allocations of the high technology business investment tax credit allowed by section 235-110.9 for investments made before May 1, 2009;

(2) Allocations of net operating loss pursuant to section 235-111.5;

(3) Allocations of the attractions and educational facilities tax credit allowed by section 235-110.46;

[Or]

(4) Allocations of low-income housing tax credits among partners under section 235-110.8[+]; or

(5) Allocations of the capital infrastructure tax credit allowed by section 235-__.

SECTION 4. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.
SECTION 6. This Act shall take effect on July 1, 2050, and shall apply to taxable years beginning after December 31, 2013.
Report Title:
Capital Infrastructure Tax Credit; Kapalama Container Terminal Project; Displaced Tenants

Description:
Creates a capital infrastructure tax credit for investors who invest in qualified infrastructure tenants who are displaced by the Kapalama container terminal project. Allows allocations of the capital infrastructure tax credit to a partner under a partnership agreement even if the allocation does not have substantial economic effect. Recaptures an unspecified percentage of the capital infrastructure tax credit if the qualified infrastructure tenant does not meet certain conditions at the close of any taxable year. Effective 7/1/2050. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1702, H.D. 1, 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 tenants displaced by the Kapalama Container Terminal Project by:

(1) Establishing a capital infrastructure tax credit available to displaced tenants, banks, and other financial institutions for costs of capital investments in state land incurred due to the displacement and providing for its application in the same manner as other similar credits; and

(2) Reinstating the technology infrastructure renovation tax credit through 2019.

The Chamber of Commerce of Hawaii; Pacific Shipyards International; Navatek, Ltd.; and numerous individuals provided testimony in support of this measure. The Department of Taxation, Department of the Attorney General, Department of Transportation, and Tax Foundation of Hawaii provided comments on this measure.
Your Committee has amended this measure by:

1. Making the amount of the capital infrastructure tax credit cap an unspecified amount;

2. Deleting the provision reinstating the technology infrastructure tax credit through 2019;

3. Changing its effective date to July 1, 2030, for the purpose of facilitating further discussion; and

4. 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 Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1702, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1702, H.D. 2.

Respectfully submitted on behalf of the members of the Committee on Finance,

SYLVIA LUKE, Chair
## Record of Votes of the Committee on Finance

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<td>HB 1702, HD1</td>
<td>TRN, FTN</td>
<td>2/20/2014</td>
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- The committee is reconsidering its previous decision on the measure.
- The recommendation is to: Pass, with amendments (HD)

### FIN Members

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<tr>
<th>FIN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
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<td>1. LUKE, Sylvia (C)</td>
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<td>2. NISHIMOTO, Scott Y. (VC)</td>
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<td>3. JOHANSON, Aaron Ling (VC)</td>
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<td>4. CULLEN, Ty J.K.</td>
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<td>5. HASHEM, Mark J.</td>
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<td>6. ING, Kaniela</td>
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<td>10. MORIKAWA, Dee</td>
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<td>14. WOODSON, Justin H.</td>
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<td>15. YAMASHITA, Kyle T.</td>
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<td>16. FUKUMOTO, Beth</td>
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<td>17. WARD, Gene</td>
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**TOTAL (17)**: 15

- The recommendation is: Adopted
- If joint referral, committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature:

Distribution: Original (White) – Committee  Duplicate (Yellow) – Chief Clerk’s Office  Duplicate (Pink) – HMSO
SECTION 1. The legislature finds that development of a new overseas container terminal and piers at the lower Kapalama military reservation site requires improvements on fast and submerged lands associated with piers twenty-four through twenty-eight to accommodate maritime dependent operators at Kapalama who are to be evicted and displaced. The total cost for the proposed master plan at the Kapalama site is estimated to be $243,000,000, which is being financed entirely by the State through revenue bonds and revenues from harbor tariffs and leases. None of these funds, however, will go toward assisting displaced maritime and waterfront dependent tenants of the Kapalama site. The displaced tenants will be relocated to various piers that have limited infrastructure, facilities, and utilities. These tenants must find ways to finance not only their move, but also significant capital improvements to state-owned land.

The legislature finds that the Kapalama container terminal project is critical to modernizing its commercial harbors and
that completion of the project will assure that harbor infrastructure is adequate to support sustained economic growth. The legislature also finds that supporting those maritime and waterfront dependent tenants displaced by the Kapalama container terminal project supports the growth of commerce in the State and supports maritime jobs. In light of state support provided for University of Hawaii-related tenants that have been displaced by the Kapalama container terminal project, the legislature finds it prudent and fair to also support the maritime-dependent operators in Kapalama who are being displaced by the project. The solution proposed in this Act is to provide a capital infrastructure tax credit to help displaced tenants raise private equity capital. This approach is expected to:

1. Mobilize private equity and near-equity capital for investment in critical waterfront infrastructure in Honolulu harbor;
2. Retain the private sector culture of focusing on rate of return in the investing process;
3. Secure and retain the services of high quality trade labor in the maritime industry in Hawaii; and
(4) Accomplish the foregoing in a return-driven manner with the goal of minimizing any adverse impact on state tax revenues.

Accordingly, the purpose of this Act is to establish a capital infrastructure tax credit to help tenants displaced by the Kapalama container terminal project in raising capital to make improvements on state-owned property upon relocation.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Capital infrastructure tax credit. (a) There shall be allowed to each qualified infrastructure tenant subject to the taxes imposed by this chapter a capital infrastructure tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the capital infrastructure investment was made; provided that the credit is properly claimed.

(b) For the purpose of this section:

"Net income tax liability" means income tax liability reduced by all other credits allowed under this chapter.

"Qualified infrastructure tenant" means a business:
(1) That currently owns capital or property or maintains
an office, operations, or facilities at the former
Kapalama military reservation site;

(2) Whose principal business is ship repair, maritime, and
waterfront dependent, and is included under the
State's plan to relocate the business to piers twenty-
four through twenty-eight within Honolulu harbor; and

(3) That will be displaced and relocated by the State
pursuant to the Kapalama container terminal project.

(c) The amount of the tax credit shall be equal to per
cent of the capital infrastructure costs incurred by the
taxpayer during the taxable year up to a maximum of $ in
capital infrastructure costs in any taxable year.

(d) The credit allowed under this section shall be claimed
against the net income tax liability for the taxable year. If
the tax credit under this section exceeds the taxpayer's income
tax liability, the excess of the tax credit over liability may
be used as a credit against the taxpayer's net income tax
liability in subsequent years until exhausted. Every claim,
including amended claims, for a tax credit under this section
shall be filed on or before the end of the twelfth month
following the close of the taxable year for which the credit may
be claimed. Failure to comply with this subsection shall constitute a waiver of the right to claim the credit.

(e) This section shall not apply to taxable years beginning after December 31, 2019.

(f) Pursuant to chapter 91, the director of taxation may adopt any rules or forms necessary to carry out this section."

SECTION 3. Chapter 241, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§241- Capital infrastructure tax credit. The capital infrastructure tax credit established by section 235- shall be operative for this chapter for taxable years beginning after December 31, 2013."

SECTION 4. Section 235-2.45, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) Section 704 of the Internal Revenue Code (with respect to a partner's distributive share) shall be operative for purposes of this chapter; except that section 704(b)(2) shall not apply to:

(1) Allocations of the high technology business investment tax credit allowed by section 235-110.9 for investments made before May 1, 2009;
(2) Allocations of net operating loss pursuant to section 235-111.5;

(3) Allocations of the attractions and educational facilities tax credit allowed by section 235-110.46;

(4) Allocations of low-income housing tax credits among partners under section 235-110.8; or

(5) Allocations of the capital infrastructure tax credit allowed by section 235-____.

SECTION 5. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2030, and shall apply to taxable years beginning after December 31, 2013; provided that on December 31, 2019, this Act shall be repealed and section 235-2.45, Hawaii Revised Statutes, shall be
reenacted in the form in which it read on the day before the effective date of this Act.
Report Title:
Capital Infrastructure Tax Credit; Kapalama Container Terminal Project; Displaced Tenants

Description:
Creates a capital infrastructure tax credit available to tenants displaced by the Kapalama container terminal project, banks, and other financial corporations for costs related to capital investments on state land incurred due to the displacement. Effective July 1, 2030. (HB1702 HD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Honolulu, Hawaii

February 3, 2014

RE: H.B. No. 1702
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred H.B. No. 1702 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 tenants displaced by the Kapalama Container Terminal Project by:

(1) Establishing a Capital Infrastructure Tax Credit;

(2) Enabling banks and other financial institutions to claim the Capital Infrastructure Tax Credit;

(3) Amending section 235-2.45, Hawaii Revised Statutes, to provide that section 704(b)(2) of the Internal Revenue Code shall not apply to allocations of the Capital Infrastructure Tax Credit; and

(4) Reinstating the Technology Infrastructure Renovation tax Credit through 2019.

The Chamber of Commerce of Hawaii; UTS Maritime Services, LLC; Pacific Marine; Navatek, Ltd.; HSI Mechanical, Inc.; Unitek Contracting Group; Pacific Shipyards International; and numerous individuals provided testimony in support of this measure. The
Department of the Attorney General, Department of Taxation, and Tax Foundation of Hawaii commented on this measure.

Your Committee has amended this measure by:

(1) Clarifying that the Capital Infrastructure Tax Credit applies to capital infrastructure investments made for a taxable year;

(2) Specifying that the amount of the tax credit shall be equal to fifty per cent of the capital infrastructure costs incurred; and

(3) Repealing the Capital Infrastructure Tax Credit on December 31, 2019, and reenacting section 235-2.45, Hawaii Revised Statutes, in its original form upon repeal.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1702, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1702, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on behalf of the members of the Committee on Transportation,

[Signature]

RYAN I. TAMANE, Chair
The committee is reconsidering its previous decision on the measure.

The recommendation is to:  
- □ Pass, unamended (as is)  
- ☑ Pass, with amendments (HD)  
- □ Hold  
- □ Pass short form bill with HD to recommit for future public hearing (recommit)

<table>
<thead>
<tr>
<th>TRN Members</th>
<th>Ayes</th>
<th>Ayes (WR)</th>
<th>Nays</th>
<th>Excused</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. YAMANE, Ryan L (C)</td>
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<tr>
<td>2. TAKAYAMA, Gregg (VC)</td>
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<td>3. AQUINO, Henry J.C.</td>
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<td>4. HAR, Sharon E.</td>
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<td>5. ICHIYAMA, Linda</td>
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<td>6. ING, Kaniela</td>
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<td>7. NAKASHIMA, Mark M.</td>
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<td>8. TAKUMI, Roy M.</td>
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<td>9. YAMASHITA, Kyle T.</td>
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<tr>
<td>10. FUKUMOTO, Beth</td>
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</tbody>
</table>

**TOTAL (10)**  
9      0      0      1

The recommendation is:  
- ☑ Adopted  
- □ Not Adopted

If joint referral, _______ did not support recommendation.

Vice Chair's or designee's signature: ________________

Distribution:  
- Original (White) – Committee  
- Duplicate (Yellow) – Chief Clerk's Office  
- Duplicate (Pink) – HMSO
A BILL FOR AN ACT

RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that development of a new overseas container terminal and piers at the lower Kapalama military reservation site requires improvements on fast and submerged lands associated with piers twenty-four through twenty-eight to accommodate maritime dependent operators at Kapalama who are to be evicted and displaced. The total cost for the proposed master plan at the Kapalama site is estimated to be $243,000,000, which is being financed entirely by the State through revenue bonds and revenues from harbor tariffs and leases. None of these funds, however, will go toward assisting displaced maritime and waterfront dependent tenants of the Kapalama site. The displaced tenants will be relocated to various piers that have limited infrastructure, facilities, and utilities. These tenants must find ways to finance not only their move, but also significant capital improvements to state-owned land.

The legislature finds that the Kapalama container terminal project is critical to modernizing its commercial harbors and
that completion of the project will assure that harbor infrastructure is adequate to support sustained economic growth. The legislature also finds that supporting those maritime and waterfront dependent tenants displaced by the Kapalama container terminal project supports the growth of commerce in the State and supports maritime jobs. In light of state support provided for University of Hawaii-related tenants that have been displaced by the Kapalama container terminal project, the legislature finds it prudent and fair to also support the maritime-dependent operators in Kapalama who are being displaced by the project. The solution proposed in this Act is to provide a capital infrastructure tax credit to help displaced tenants raise private equity capital. This approach is expected to:

(1) Mobilize private equity and near-equity capital for investment in critical waterfront infrastructure in Honolulu harbor;

(2) Retain the private sector culture of focusing on rate of return in the investing process;

(3) Secure and retain the services of high quality trade labor in the maritime industry in Hawaii; and
(4) Accomplish the foregoing in a return-driven manner with the goal of minimizing any adverse impact on state tax revenues.

Accordingly, the purpose of this Act is to establish a capital infrastructure tax credit to help tenants displaced by the Kapalama container terminal project in raising capital to make improvements on state-owned property upon relocation.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Capital infrastructure tax credit. (a) There shall be allowed to each qualified infrastructure tenant subject to the taxes imposed by this chapter a capital infrastructure tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the capital infrastructure investment was made; provided that the credit is properly claimed.

(b) For the purpose of this section:

"Net income tax liability" means income tax liability reduced by all other credits allowed under this chapter.

"Qualified infrastructure tenant" means a business:
(1) That currently owns capital or property or maintains an office, operations, or facilities at the former Kapalama military reservation site;

(2) Whose principal business is ship repair, maritime, and waterfront dependent, and is included under the State's plan to relocate the business to piers twenty-four through twenty-eight within Honolulu harbor; and

(3) That will be displaced and relocated by the State pursuant to the Kapalama container terminal project.

(c) The amount of the tax credit shall be equal to fifty per cent of the capital infrastructure costs incurred by the taxpayer during the taxable year up to a maximum of $ in capital infrastructure costs in any taxable year.

(d) The credit allowed under this section shall be claimed against the net income tax liability for the taxable year. If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the tax credit over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted. Every claim, including amended claims, for a tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may
be claimed. Failure to comply with this subsection shall constitute a waiver of the right to claim the credit.

(e) This section shall not apply to taxable years beginning after December 31, 2019.

(f) Pursuant to chapter 91, the director of taxation may adopt any rules or forms necessary to carry out this section."

SECTION 3. Chapter 241, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§241- Capital infrastructure tax credit. The capital infrastructure tax credit established by section 235- shall be operative for this chapter for taxable years beginning after December 31, 2013."

SECTION 4. Section 235-2.45, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) Section 704 of the Internal Revenue Code (with respect to a partner's distributive share) shall be operative for purposes of this chapter; except that section 704(b)(2) shall not apply to:

(1) Allocations of the high technology business investment tax credit allowed by section 235-110.9 for investments made before May 1, 2009;
(2) Allocations of net operating loss pursuant to section 235-111.5;

(3) Allocations of the attractions and educational facilities tax credit allowed by section 235-110.46;

(4) Allocations of low-income housing tax credits among partners under section 235-110.8[—]; or

(5) Allocations of the capital infrastructure tax credit allowed by section 235-——.

SECTION 5. Section 235-110.51, Hawaii Revised Statutes, is amended by amending subsection (h) to read as follows:

"(h) The tax credit allowed under this section shall not be available for taxable years beginning after December 31, 2019."

SECTION 6. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.
SECTION 8. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2013; provided that on December 31, 2019, this Act shall be repealed and section 235-2.45, Hawaii Revised Statutes, shall be reenacted in the form in which it read on the day before the effective date of this Act.
Report Title:
Capital Infrastructure Tax Credit; Kapalama Container Terminal Project; Displaced Tenants

Description:
Creates a capital infrastructure tax credit for tenants who are displaced by the Kapalama container terminal project. Enables banks and other financial corporations to claim the capital infrastructure tax credit. Provides that section 704(b)(2) of the Internal Revenue Code shall not apply to allocations of the capital infrastructure tax credit. Reinstates the technology infrastructure renovation tax credit through 2019. (HB1702 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
A BILL FOR AN ACT

RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that development of a new overseas container terminal and piers at the lower Kapalama military reservation site requires improvements on fast and submerged lands associated with piers twenty-four through twenty-eight to accommodate maritime dependent operators at Kapalama who are to be evicted and displaced. The total cost for the proposed master plan at the Kapalama site is estimated to be $243,000,000, which is being financed entirely by the State through revenue bonds and revenues from harbor tariffs and leases. None of these funds, however, will go toward assisting displaced maritime and waterfront dependent tenants of the Kapalama site. The displaced tenants will be relocated to various piers that have limited infrastructure, facilities, and utilities. These tenants must find ways to finance not only their move, but also significant capital improvements to state-owned land.

The legislature finds that the Kapalama container terminal project is critical to modernizing its commercial harbors and
that completion of the project will assure that harbor
infrastructure is adequate to support sustained economic growth.
The legislature also finds that supporting those maritime and
waterfront dependent tenants displaced by the Kapalama container
terminal project supports the growth of commerce in the State
and supports maritime jobs. In light of state support provided
for University of Hawaii-related tenants that have been
displaced by the Kapalama container terminal project, the
legislature finds it prudent and fair to also support the
maritime-dependent operators in Kapalama who are being displaced
by the project. The solution proposed in this Act is to provide
a capital infrastructure tax credit to help displaced tenants
raise private equity capital. This approach is expected to:

1. Mobilize private equity and near-equity capital for
   investment in critical waterfront infrastructure in
   Honolulu harbor;

2. Retain the private sector culture of focusing on rate
   of return in the investing process;

3. Secure and retain the services of high quality trade
   labor in the maritime industry in Hawaii; and
Accomplish the foregoing in a return-driven manner with the goal of minimizing any adverse impact on state tax revenues.

Accordingly, the purpose of this Act is to establish a capital infrastructure tax credit to help tenants displaced by the Kapalama container terminal project in raising capital to make improvements on state-owned property upon relocation.

SECTION 2. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Capital infrastructure tax credit. (a) There shall be allowed to each qualified infrastructure tenant subject to the taxes imposed by this chapter a capital infrastructure tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the investment was made; provided that the credit is properly claimed.

(b) For the purpose of this section:

"Net income tax liability" means income tax liability reduced by all other credits allowed under this chapter.

"Qualified infrastructure tenant" means a business that:
(1) Currently owns capital or property or maintains an office, operations, or facilities at the former Kapalama military reservation site;

(2) Whose principal business is ship repair, maritime, and waterfront dependent, and is included under the State's plan to relocate such business to piers twenty-four through twenty-eight within Honolulu harbor; and

(3) Will be displaced and relocated by the State pursuant to the Kapalama container terminal project.

(c) The amount of the tax credit shall be equal to per cent of the capital infrastructure costs incurred by the taxpayer during the taxable year up to a maximum of $ in capital infrastructure costs in any taxable year.

(d) The credit allowed under this section shall be claimed against the net income tax liability for the taxable year. If the tax credit under this section exceeds the taxpayer's income tax liability, the excess of the tax credit over liability may be used as a credit against the taxpayer's net income tax liability in subsequent years until exhausted. Every claim, including amended claims, for a tax credit under this section shall be filed on or before the end of the twelfth month.
following the close of the taxable year for which the credit may be claimed. Failure to comply with this subsection shall constitute a waiver of the right to claim the credit.

(e) This section shall not apply to taxable years beginning after December 31, 2019.

(f) Pursuant to chapter 91, the director of taxation may adopt any rules or forms necessary to carry out this section."

SECTION 3. Chapter 241, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§241- Capital infrastructure tax credit. The capital infrastructure tax credit established by section 235- shall be operative for this chapter for taxable years beginning after December 31, 2013."

SECTION 4. Section 235-2.45, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) Section 704 of the Internal Revenue Code (with respect to a partner's distributive share) shall be operative for purposes of this chapter; except that section 704(b)(2) shall not apply to:
(1) Allocations of the high technology business investment tax credit allowed by section 235-110.9 for investments made before May 1, 2009;

(2) Allocations of net operating loss pursuant to section 235-111.5;

(3) Allocations of the attractions and educational facilities tax credit allowed by section 235-110.46;

(4) Allocations of low-income housing tax credits among partners under section 235-110.8[-r]; or

(5) Allocations of the capital infrastructure tax credit allowed by section 235-____.

SECTION 5. Section 235-110.51, Hawaii Revised Statutes, is amended by amending subsection (h) to read as follows:

"(h) The tax credit allowed under this section shall not be available for taxable years beginning after December 31, [2010-] 2019."

SECTION 6. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the
invalid provision or application, and to this end the provisions
of this Act are severable.

SECTION 7. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.

SECTION 8. This Act, upon its approval, shall apply to
taxable years beginning after December 31, 2013.

INTRODUCED BY: 

JAN 15 2014
Report Title:
Capital Infrastructure Tax Credit; Kapalama Container Terminal Project; Displaced Tenants

Description:
Creates a capital infrastructure tax credit for tenants who are displaced by the Kapalama container terminal project. Allows banks and other financial corporations the ability to claim the capital infrastructure tax credit. Allows allocations of the capital infrastructure tax credit to a partner under a partnership agreement even if the allocation has a substantial economic effect. Renews the technology infrastructure renovation tax credit through 2019.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
Measure Title: RELATING TO THE CAPITAL INFRASTRUCTURE TAX CREDIT.

Report Title: Capital Infrastructure Tax Credit; Kapalama Container Terminal Project; Displaced Tenants

Description:
Creates a capital infrastructure tax credit for investors who invest in qualified infrastructure tenants who are displaced by the Kapalama container terminal project. Allows allocations of the capital infrastructure tax credit to a partner under a partnership agreement even if the allocation does not have substantial economic effect. Recaptures an unspecified percentage of the capital infrastructure tax credit if the qualified infrastructure tenant does not meet certain conditions at the close of any taxable year. (HB1702 CD1)

Companion: SB2322

Package: None

Current Referral: EGH, WAM

Introducer(s): NISHIMOTO

Sort by Date  Status Text
1/15/2014 H Pending introduction.
1/16/2014 H Introduced and Passed First Reading
1/21/2014 H Referred to TRN, FIN, referral sheet 3
1/24/2014 H Bill scheduled to be heard by TRN on Wednesday, 01-29-14 10:00AM in House conference room 309.
1/29/2014 H The committees on TRN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 9 Ayes: Representative(s) Yamane, Takayama, Aquino, Har, Ichiyama, Nakashima, Takumi, Yamashita, Fukumoto; Ayes with reservations: none; Noes: none; and 1 Excused: Representative(s) Ing.
2/3/2014 H Reported from TRN (Stand. Com. Rep. No. 76-14) as amended in HD 1, recommending passage on Second Reading and referral to FIN.
2/3/2014 H Passed Second Reading as amended in HD 1 and referred to the committee(s) on FIN with Representative(s) Hanohano, Jordan voting aye with reservations; none voting no (0) and Representative(s) Say excused (1).
2/18/2014 H Bill scheduled to be heard by FIN on Thursday, 02-20-14 11:00AM in House conference room 308.
2/20/2014 H The committees on FIN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 16 Ayes: Representative(s) Luke, Nishimoto, Johanson, Cullen, Hashem, Ing, Kobayashi, Lowen, Morikawa, Onishi, Takayama, Tokioka, Yamashita, Fukumoto, Ward; Ayes with reservations: Representative(s) Jordan; Noes: none; and 1 Excused: Representative(s) Woodson.
2/28/2014 H Forty-eight (48) hours notice Tuesday, 03-04-14.
3/4/2014 H Passed Third Reading as amended in HD 2 with Representative(s) Hanohano, Har, Jordan, Oshiro voting aye with reservations; none voting no (0) and none excused (0). Transmitted to Senate.
3/6/2014 S Received from House (Hse. Com. No. 241).
3/6/2014 S Passed First Reading.
3/6/2014 S Referred to EGH, WAM.
3/7/2014 S The committee(s) on EGH has scheduled a public hearing on 03-10-14 2:45PM in conference room 016.
<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/10/2014</td>
<td>The committee(s) on EGH recommend(s) that the measure be PASSED, WITH</td>
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<td>AMENDMENTS. The votes in EGH were as follows: 4 Aye(s): Senator(s)</td>
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<td>Dela Cruz, Slom, English, Wakai; Aye(s) with reservations: none; 0</td>
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<td>No(es): none; and 3 Excused: Senator(s) Baker, Chun Oakland, L.</td>
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<td>3/12/2014</td>
<td>Reported from EGH (Stand. Com. Rep. No. 2847) with recommendation of</td>
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<td>passage on Second Reading, as amended (SD 1) and referral to WAM.</td>
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<tr>
<td>3/12/2014</td>
<td>Report adopted; Passed Second Reading, as amended (SD 1) and referred</td>
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<td>to WAM.</td>
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<tr>
<td>3/21/2014</td>
<td>The committee(s) on WAM will hold a public decision making on 03-25-14</td>
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<tr>
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<td>9:00AM in conference room 211.</td>
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<tr>
<td>3/25/2014</td>
<td>The committee(s) on WAM deferred the measure until 03-28-14 9:15AM in</td>
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<td>conference room 211.</td>
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<tr>
<td>3/28/2014</td>
<td>The committee(s) on WAM recommend(s) that the measure be PASSED, WITH</td>
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<td>AMENDMENTS. The votes in WAM were as follows: 12 Aye(s): Senator(s)</td>
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<td></td>
<td>Ige, Kidani, Dela Cruz, English, Espero, Kehele, Keith-Agaran,</td>
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<td>Kouchi, Ruderman, L. Thieien, Tokuda; Aye(s) with reservations:</td>
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<td>Senator(s) Slom ; 0 No(es): none; and 1 Excused: Senator(s) Chun</td>
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<td>Oakland.</td>
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<td>4/4/2014</td>
<td>Reported from WAM (Stand. Com. Rep. No. 3355) with recommendation of</td>
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<td>passage on Third Reading, as amended (SD 2).</td>
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<tr>
<td>4/8/2014</td>
<td>Report adopted; Passed Third Reading, as amended (SD 2). Ayes, 24;</td>
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<tr>
<td></td>
<td>Aye(s) with reservations: none . Noes, 1 (Senator(s) Slom). Excused,</td>
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<td></td>
<td>0 (none). Transmitted to House.</td>
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<tr>
<td>4/10/2014</td>
<td>House disagrees with Senate amendment(s).</td>
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<tr>
<td>4/11/2014</td>
<td>Received notice of disagreement (Hse. Com. No. 676).</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>Senate Conferees Appointed: Dela Cruz Chair; Kidani Co-Chair; Wakai</td>
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<td></td>
<td>Member.</td>
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<tr>
<td>4/14/2014</td>
<td>House Conferees Appointed: Yamane, Nishimoto Co-Chairs; Takayama,</td>
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<td>Ward Members.</td>
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<td>4/14/2014</td>
<td>Received notice of Senate conferees (Sen. Com. No. 673).</td>
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<tr>
<td>4/17/2014</td>
<td>Bill scheduled for Conference Committee Meeting on Tuesday, 04-22-14</td>
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<tr>
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<td>2:00PM in conference room 423.</td>
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<tr>
<td>4/22/2014</td>
<td>Conference Committee Meeting will reconvene on Wednesday 04-23-14</td>
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<td>3:30PM in conference room 423.</td>
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<tr>
<td>4/23/2014</td>
<td>Conference Committee Meeting will reconvene on Thursday 04-24-14</td>
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<td>2:45PM in conference room 423.</td>
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<td>4/24/2014</td>
<td>Conference committee meeting to reconvene on 04-25-14 2:45PM in</td>
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<td>conference room 423.</td>
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<tr>
<td>4/25/2014</td>
<td>The Conference Committee recommends that the measure be Passed, with</td>
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<td>Amendments. The votes were as follows: 4 Ayes: Representative(s)</td>
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<td>Yamane, Nishimoto, Takayama, Ward; Ayes with reservations: none; 0</td>
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<td>Noes: none; and 0 Excused: none.</td>
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<tr>
<td>4/25/2014</td>
<td>The Conference committee recommends that the measure be PASSED, WITH</td>
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<td>AMENDMENTS. The votes of the Senate Conference Managers were as follows:</td>
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<td>3 Aye(s): Senator(s) Dela Cruz, Kidani, Wakai; Aye(s) with reservations:</td>
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<td>none ; 0 No(es): none; and 0 Excused: none.</td>
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<td>amended in (CD 1).</td>
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<td>4/25/2014</td>
<td>Forty-eight (48) hours notice Tuesday 04-29-14.</td>
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<td>No. 123-14).</td>
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<tr>
<td>4/29/2014</td>
<td>Passed Final Reading, as amended (CD 1). 25 Aye(s); Aye(s) with</td>
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<td>reservations: Senator(s) Slom . 0 No(es): none. 0 Excused: none.</td>
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<td>4/29/2014</td>
<td>Passed Final Reading as amended in CD 1 with Representative(s) Tokioka</td>
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<td>voting aye with reservations; Representative(s) Choy, Jordan, McKelvey,</td>
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<td>Oshiro voting no (4) and Representative(s) Ito excused (1).</td>
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<tr>
<td>Date</td>
<td>Action Description</td>
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<td>------------------------------------------------------------------------------------</td>
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<tr>
<td>4/30/2014</td>
<td>H Received notice of Final Reading (Sen. Com. No. 720).</td>
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<tr>
<td>5/1/2014</td>
<td>S Received notice of passage on Final Reading in House (Hse. Com. No. 751).</td>
</tr>
<tr>
<td>5/5/2014</td>
<td>H Transmitted to Governor.</td>
</tr>
</tbody>
</table>

*S = Senate  |  H = House  |  D = Data Systems  |  $ = Appropriation measure  |  ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

**HB1702 HD2 SD2 CD1**