

Honolulu, Hawaii

MAR 23 2007

RE: H.B. No. 149  
H.D. 2  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 149, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO DISASTER RELIEF,"

begs leave to report as follows:

The purpose of this measure is to create a one-time tax credit for victims of the October 15, 2006, earthquakes.

The Department of Defense and the Department of Taxation (Department) submitted comments on this measure.

Your Committee has reviewed a number of concerns raised by the Department, particularly the issue of taxpayers who would not be able to claim the credit because they were unable to repair or replace the damaged property. Your Committee agrees with this concern and has addressed it in the amended measure.

Your Committee has amended this measure by:

- (1) Clarifying that a qualifying taxpayer may claim a credit equal to either a percentage of the repair costs, or a percentage of the loss, under certain conditions;
- (2) Restricting the credit to residential structures located in the County of Hawaii;



- (3) Ensuring that the taxpayer may not claim a credit under both provisions, repair costs or loss incurred;
- (4) Establishing a process to determine loss, as determined by a qualified appraiser;
- (5) Clarifying that any excess of the tax credit over liability may be carried forward until exhausted; and
- (6) Changing the end of the applicable period for the tax credit from before January 1, 2007, to before January 1, 2009.

Your Committee received a statement of revenue impact from the Department that based on these amendments, the measure could cost \$15,000,000, with seventy per cent of the cost occurring in the first year. In its methodology, the Department estimated that the earthquake has caused \$200,000,000 in damages. Based on preliminary reports, it is estimate that ten per cent of the total damage was to homes. It is assumed that homeowners recouped twenty-five per cent of damages from insurance. Thus, the estimated legitimate residential claims are estimated to be about \$15,000,000 if the credit were set at one hundred per cent of damages.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 149, H.D. 2, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as H.B. No. 149, H.D. 2, S.D. 1.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Taxation,

  
CAROL FUKUNAGA, Chair



The Senate  
Twenty-Fourth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Taxation**  
**EDT**

Bill / Resolution No.:* <b>HB 149, HD2</b>	Committee Referral: <b>IGM, EDT, WAM</b>	Date: <b>3/22/07</b>								
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____										
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313										
Members	Aye	Aye (WR)	Nay	Excused						
FUKUNAGA, Carol (C)	✓									
ESPERO, Will (VC)	✓									
ENGLISH, J. Kalani	✓									
IGE, David Y.	✓									
SLOM, Sam	✓									
<b>TOTAL</b>	<b>5</b>									
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted										
Chair's or Designee's Signature: <div style="text-align:center;"><i>Will Espero</i></div>										
Distribution: <table style="width:100%; border:none;"> <tr> <td style="width:33%;">Original</td> <td style="width:33%;">Yellow</td> <td style="width:33%;">Pink</td> </tr> <tr> <td>File with Committee Report</td> <td>Clerk's Office</td> <td>Drafting Agency</td> </tr> </table>					Original	Yellow	Pink	File with Committee Report	Clerk's Office	Drafting Agency
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\*Only one measure per Record of Votes