



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
**HOUSE COMMITTEE ON HUMAN SERVICES
AND
HOUSE COMMITTEE ON HEALTH**

Thursday, February 5, 2009
10:30 A.M.
State Capitol, Conference Room 329

in consideration of
HB 1567
RELATING TO SKILLED NURSING FACILITIES.

Chairs Mizuno and Yamane, Vice-Chairs Brower and Nishimoto and Committee
members:

The Department opposes this measure that would treat each new skilled nursing facility or facility expanding its operations outside an enterprise zone as operating within an enterprise zone for purposes of eligibility to receive benefits provided in enterprise zones. Given the current fiscal difficulties it would not be prudent to pursue enactment at this time. We defer to the Department of Taxation to ascertain the financial impact of this measure.

Hawaii's Enterprise Zones (EZ) Partnership Program was established by the Legislature in 1986 to help stimulate certain types of businesses to locate and provide employment in areas where they are needed most. At the end of 2007, a total of 199 companies were enrolled in the

EZ program. Of those enrolled companies, one percent was involved in medical research, while another half percent was involved in medical equipment repair or maintenance of assistive technology equipment used by disabled persons. Nursing homes and medical facilities are underrepresented in enterprise zones.

While we recognize the need to support medical and health care services, allowing each new skilled nursing facility or facility expanding their operations outside an enterprise zone to be considered as operating within an enterprise zone for purposes of eligibility to receive EZ benefits, contradicts the original intent of the program which is to stimulate business development and job creation in areas where they are needed most.

We note that the purpose of this measure is to help stimulate the development of nursing home care facilities. We would like to point out that the job creation requirement of 10% or more per year required by the Enterprise Zone law might not be met by nursing homes, thereby precluding them taking advantage of the GET exemption benefit. In addition, the GET exemption benefit are savings to customers and does not add to the nursing home's bottom line. Similarly, EZ income tax credits only apply to the bottom line if the facility is making a profit. Finally, this measure supersedes the "home rule" requirement of enterprise zones being nominated by the counties.

Should the Legislature want to extend zone benefits to new or expanding nursing home facilities, we recommend that nursing home facilities be included as an allowable business within the current Enterprise Zone Program laws. Again, should this be the case, we defer to the Dept. of Taxation to ascertain the financial impacts.

Thank you for the opportunity to offer these comments.