
A BILL FOR AN ACT

RELATING TO ENTERPRISE ZONES.

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

1 SECTION 1. The legislature finds that the current statute
2 pertaining to state enterprise zones sets a limited period for
3 qualified businesses to receive the tax credit incentive. The
4 legislature further finds that the expiration of the period will
5 negatively impact agricultural entities and the governor's goal
6 of doubling food production by 2020.

7 The legislature finds that the enterprise zones for
8 agricultural producers should be extended every six years until
9 the agricultural "self-sufficiency" standard of the Constitution
10 of the State of Hawaii is fulfilled. The legislature further
11 finds that businesses providing renewable energy infrastructure
12 for agricultural producers should also be eligible for the
13 extended enterprise zone benefits.

14 The purpose of this Act is to amend chapter 209E, Hawaii
15 Revised Statutes, to:



- 1 (1) Expand the definition of an eligible business activity
2 to include the installation of renewable energy
3 infrastructure for agricultural producers;
- 4 (2) Extend the tax credit eligibility periods in
5 enterprise zones for agricultural producers and
6 businesses providing renewable energy infrastructure
7 to agricultural producers until the constitutional
8 mandate of self-sufficiency provided in the
9 Constitution of the State of Hawaii has been
10 fulfilled;
- 11 (3) Expand the qualification for a qualified business
12 under section 209E-9, Hawaii Revised Statutes, to
13 include those businesses that increase gross volume of
14 agricultural products processed or increase gross
15 volume of renewable energy infrastructure installed
16 for agricultural producers within enterprise zones
17 located within the same county by two per cent
18 annually; and
- 19 (4) Specify the kinds of agricultural investments that are
20 eligible for the business tax credit under section
21 209E-10, Hawaii Revised Statutes.



1 SECTION 2. Section 209E-1, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§209E-1 Purpose. It is declared that the health, safety,
4 and welfare of the people of this State are dependent upon the
5 continual encouragement, development, growth, and expansion of
6 the private sector, and that there are certain areas in the
7 State that need the particular attention of government to help
8 attract private sector investment. Therefore, it is the purpose
9 of this chapter to stimulate business, agricultural, and
10 industrial growth in areas that would result in neighborhood
11 revitalization of those areas by means of regulatory flexibility
12 and tax incentives. The Constitution of the State of Hawaii
13 requires increased agricultural self-sufficiency; however,
14 global trade has challenged the viability of Hawaii's
15 agricultural sector. The purpose of this chapter is also to
16 enable investments to meet the constitutional mandate of
17 agricultural self-sufficiency."

18 SECTION 3. Section 209E-2, Hawaii Revised Statutes, is
19 amended as follows:

20 1. By adding a new definition to be appropriately inserted
21 and to read:



1 ""Agricultural producer" shall have the same meaning as in
2 section 155-5.6."

3 2. By amending the definition of "eligible business
4 activity" to read:

5 "Eligible business activity" means the:

6 (1) Manufacture of tangible personal property, the
7 wholesale sale of tangible personal property as
8 described in section 237-4, or a service business as
9 defined in this section;

10 (2) Production of agricultural products where the business
11 is a producer as defined in section 237-5, or the
12 processing of agricultural products, all or some of
13 which were grown within an enterprise zone;

14 (3) Research, development, sale, or production of all
15 types of genetically-engineered medical, agricultural,
16 or maritime biotechnology products; [~~or~~]

17 (4) Production of electric power from wind energy for sale
18 primarily to a public utility company for resale to
19 the public; or



1 (5) Installation of renewable energy infrastructure for
 2 agricultural producers by renewable energy production
 3 businesses;

4 provided that medical marijuana dispensary activities pursuant
 5 to chapter 329D shall not be considered an eligible business
 6 activity for the purposes of this chapter."

7 SECTION 4. Section 209E-4, Hawaii Revised Statutes, is
 8 amended to read as follows:

9 "**§209E-4 Enterprise zone designation.** (a) The governing
 10 body of any county may apply in writing to the department to
 11 have an area declared to be an enterprise zone. The application
 12 shall include a description of the location of the area or areas
 13 in question, and a general statement identifying proposed local
 14 incentives to complement the state and any federal incentives.

15 (b) The governor, upon the recommendation of the director,
 16 shall approve the designation of up to six areas in each county
 17 as enterprise zones for a period of twenty years[-], except for
 18 agricultural producers and those businesses engaged in providing
 19 renewable energy infrastructure for agricultural producers. Any
 20 such area shall be located in one United States census tract or
 21 two or more contiguous United States census tracts in accordance



1 with the most recent decennial United States Census. The census
2 tract or tracts within which each enterprise zone is located
3 also shall meet at least one of the following criteria:

4 (1) Twenty-five per cent or more of the population have
5 incomes below eighty per cent of the median family
6 income of the county; or

7 (2) The unemployment rate is 1.5 times the state average.

8 (c) For agricultural producers and those businesses
9 engaged in providing renewable energy infrastructure for
10 agricultural producers, the governor, upon the recommendation of
11 the director, shall approve the designation of up to six areas
12 in each county as agricultural enterprise zones until such date
13 that it is determined that the constitutional mandate of
14 increased agricultural self-sufficiency has been achieved. The
15 department of agriculture in consultation with the department of
16 business, economic development, and tourism shall define the
17 standards for agricultural self-sufficiency, as stated in the
18 Constitution of the State of Hawaii."

19 SECTION 5. Section 209E-9, Hawaii Revised Statutes, is
20 amended by amending subsection (b) to read as follows:



1 "(b) A business firm may also be eligible to be designated
2 a qualified business for purposes of this chapter if the
3 business:

4 (1) Is actively engaged in the conduct of a trade or
5 business in an eligible business activity in an area
6 immediately prior to the area being designated an
7 enterprise zone;

8 (2) Meets the requirements of subsection (a)(2); and

9 (3) Either:

10 (A) Increases its average annual number of full-time
11 employees employed at the business' establishment
12 or establishments within enterprise zones located
13 within the same county by at least ten per cent
14 by the end of the first year of operation, and by
15 at least fifteen per cent by the end of each of
16 the fourth, fifth, sixth, and seventh years of
17 operation, and for businesses eligible for tax
18 credits extending past the seventh year, at least
19 maintains that higher level of employment during
20 each subsequent taxable year; provided that the
21 percentage increase shall be based upon the



1 employee count at the beginning of the initial
2 year of operation within the enterprise zone or
3 zones; [~~or~~]

4 (B) Increases its gross sales of agricultural crops
5 produced, or agricultural products processed
6 within enterprise zones located within the same
7 county by two per cent annually[-]; or

8 (C) Increases its gross volume of agricultural
9 products processed or gross volume of renewable
10 energy infrastructure installed for agricultural
11 producers within agricultural enterprise zones
12 located within the same county by two per cent
13 annually."

14 SECTION 6. Section 209E-10, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "§209E-10 State business tax credit. (a) The department
17 shall certify annually to the department of taxation the
18 applicability of the tax credit provided in this chapter for a
19 qualified business against any taxes due the State. Except for
20 the general excise tax, the credit shall be eighty per cent of
21 the tax due for the first tax year, seventy per cent of the tax



1 due for the second tax year, sixty per cent of the tax due for
2 the third year, fifty per cent of the tax due the fourth year,
3 forty per cent of the tax due the fifth year, thirty per cent of
4 the tax due the sixth year, and twenty per cent of the tax due
5 the seventh year. For qualified businesses engaged in [~~the~~
6 ~~manufacturing of tangible personal property or~~] the producing or
7 processing of agricultural products[~~7~~] or renewable energy
8 infrastructure for agricultural producers, the credit shall
9 continue after the seventh year at the rate of twenty per cent
10 of the tax due for each of the subsequent [~~three~~] tax years[~~7~~],
11 until the State's mandate of increased agricultural self-
12 sufficiency is achieved. Any tax credit not usable [~~shall not~~]
13 may be applied to future tax years.

14 (b) When a partnership is eligible for a tax credit under
15 this section, each partner shall be eligible for the tax credit
16 provided for in this section on the partner's income tax return
17 in proportion to the amount of income received by the partner
18 from the partnership. Any qualified business having taxable
19 income from business activity, both within and without the
20 enterprise zone, shall allocate and apportion its taxable income
21 attributable to the conduct of business. Tax credits provided



1 for in this section shall only apply to taxable income of a
2 qualified business attributable to the conduct of business
3 within enterprise zones located within the same county.

4 (c) In addition to any tax credit authorized under this
5 section, any qualified business shall be entitled to a tax
6 credit against any taxes due the State in an amount equal to a
7 percentage of unemployment taxes paid. The amount of the credit
8 shall be equal to eighty per cent of the unemployment taxes paid
9 during the first year, seventy per cent of the taxes paid during
10 the second year, sixty per cent of the taxes paid during the
11 third year, fifty per cent of the taxes paid during the fourth
12 year, forty per cent of the taxes paid during the fifth year,
13 thirty per cent of the taxes paid during the sixth year, and
14 twenty per cent of the taxes paid during the seventh year. For
15 qualified businesses engaged in the manufacturing of tangible
16 personal property or the producing or processing of agricultural
17 products, the credit shall continue after the seventh year in an
18 amount equal to twenty per cent of the taxes paid during each of
19 the subsequent three tax years.

20 (d) Tax credits provided for in subsection (c) shall only
21 apply to the unemployment tax paid on employees employed at the



1 qualified business' establishment or establishments within
2 enterprise zones located within the same county. Any tax credit
3 not usable shall not be applied to future tax years.

4 (e) For agricultural producers and those business firms
5 engaged in producing renewable energy infrastructure for
6 agricultural producers, the amount of the business tax credit
7 shall be equal to eighty per cent of the tax credit claimable
8 under this section as long as investments in the following areas
9 are made during the taxable year:

- 10 (1) Water infrastructure;
11 (2) Farm labor housing;
12 (3) Investments in mechanization;
13 (4) Food processing and value added production
14 infrastructure, including infrastructure for food
15 safety compliance; and
16 (5) Renewable energy production capacity.

17 Qualification for the tax credit shall be evaluated and
18 determined by the department of agriculture."

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



1 SECTION 8. This Act shall take effect upon its approval,
2 and shall apply to taxable years beginning after December 31,
3 2016.

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H.B. NO. 784

Report Title:

Enterprise Zones; Agriculture; Renewable Energy; Tax Credit

Description:

Expands the definition of an eligible business activity to include businesses that provide renewable energy infrastructure to agricultural producers. Extends the tax credit eligibility periods in enterprise zones for agricultural producers and for businesses providing renewable energy infrastructure to agricultural producers until the Hawaii constitutional mandate of "self-sufficiency" is fulfilled. Expands the qualifications of a qualified business to include those businesses that increase gross volume of agricultural products or gross volume of renewable energy infrastructures to agricultural producers within enterprise zones located within the same county by two percent annually. Specifies the kinds of agricultural investments that are eligible for the business 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.

