

Honolulu, Hawaii

FEB 20 2009

RE: S.B. No. 1248

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committees on Economic Development and Technology and Water, Land, Agriculture, and Hawaiian Affairs, to which was referred S.B. No. 1248 entitled:

"A BILL FOR AN ACT RELATING TO STATE ENTERPRISE ZONES,"

beg leave to report as follows:

The purpose of this measure is to authorize agricultural producers and manufacturers to renew their eligibility in the enterprise zone program and allow receipts, sales, and employees of a business establishment that are located within the same county to count toward qualification in the enterprise zone program. This measure also amends the definitions applicable to chapter 209E, Hawaii Revised Statutes.

Testimony in support of this measure was submitted by the Department of Business, Economic Development, and Tourism, the City and County of Honolulu Department Economic Development, the Hawaii Crop Improvement Association, the Hawaiian Electric Company, Hilo Coffee Mill, Honolulu Wood Treating, Madden Corporation, Island Princess, Tradewinds Forest Products, and Oils of Aloha. Comments on this measure were submitted by the Department of Taxation and the Department of Agriculture. Written testimony presented to the Committees may be reviewed on the Legislature's website.

Your Committees find that facilitating agricultural producers and manufacturers in qualifying for the enterprise zone program will enable that industry to grow in a tax efficient manner. Renewing an existing license for an additional seven years will



continue to attract investment and help to revitalize some of the distressed communities in Hawaii.

Your Committees received a fiscal impact statement from the Department of Taxation that this measure, as introduced, would result in a revenue loss to the State of \$300,000. Their methodology is as follows:

Qualified companies in the State's enterprise zone program received approximately \$1,500,000 in tax credits in 2006. It is assumed that the number of firms and business activities will remain the same, and this proposal would expand enterprise zone activities by twenty per cent ($\$1,500,000 \times 20\% = \$300,000$).

Your Committees note that the Department of Taxation's revenue loss methodology is based on the assumption that the number of firms and business activities will remain the same.

For example, the testimonies of the Department of Taxation, the Department of Business, Economic Development, and Tourism, and the Department of Agriculture fail to take into account any potential tax revenue gains that an extension of the enterprise zone credits might produce by helping long-established small businesses – who presently contribute their share of tax receipts to the State's economy – to expand. During a time when the State's visitor, retail, hospitality, and activities sectors of the economy are suffering from declining visitor counts, your Committees believe we should grow Hawaii's economy by stimulating the numbers of jobs that Hawaii small businesses are able to create, rather than preventing that growth from occurring.

As affirmed by the records of votes of the members of your Committees on Economic Development and Technology and Water, Land, Agriculture, and Hawaiian Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1248 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 Economic
Development and Technology and
Water, Land, Agriculture, and
Hawaiian Affairs,



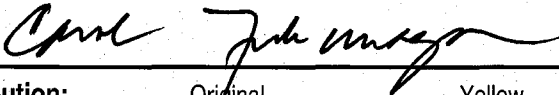
CLAYTON HEE, Chair



CAROL FUKUNAGA Chair

The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Economic Development and Technology
EDT

Bill / Resolution No.:* SB 1240	Committee Referral: EDT/WTL, WAM	Date: 2/11/09		
<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 checked="" type="checkbox"/> Pass, unamended 2312 <input 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)	✓			
BAKER, Rosalyn H. (VC)				✓
HEE, Clayton	✓			
IGE, David Y.	✓			
SLOM, Sam	✓			
TOTAL	4			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> 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

