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

14 The purpose of this Act is to:

15 (1) Require agricultural producers to have at least fifty
16 per cent of its production to occur within the
17 enterprise zones located within the same county to be



1 eligible for designation as a qualified business in an
2 enterprise zone; and

3 (2) Extend the tax credit eligibility periods in
4 enterprise zones for agricultural producers.

5 SECTION 2. Section 209E-9, Hawaii Revised Statutes, is
6 amended by amending subsection (a) to read as follows:

7 "(a) Any business firm may be eligible to be designated a
8 qualified business for purposes of this chapter if the business:

9 (1) Begins the operation of a trade or business in an
10 eligible business activity within an enterprise zone;

11 (2) During each taxable year has at least fifty per cent
12 of its enterprise zone establishments' gross receipts
13 attributable to the active conduct of trade or
14 business within enterprise zones located within the
15 same county; ~~and~~ except for business involved in
16 manufacturing, producing, or processing of
17 agricultural products, at least fifty per cent of its'
18 enterprise zone establishments' production must occur
19 within the enterprise zones located within the same
20 county; and

21 (3) Either:



1 (A) Increases its average annual number of full-time
2 employees employed at the business' establishment
3 or establishments within enterprise zones located
4 within the same county by at least ten per cent
5 by the end of its first tax year of
6 participation, and during each subsequent taxable
7 year at least maintains that higher level of
8 employment; or

9 (B) Increases its gross sales of agricultural crops
10 produced, or agricultural products processed
11 within enterprise zones located within the same
12 county by two per cent annually.

13 For business firms engaged in producing or processing
14 agricultural products, receipts from value-added products made
15 from crops grown within enterprise zones located within the same
16 county and sold at retail pursuant to the limits of subsection
17 (e) shall count toward the gross receipts requirement under
18 paragraph (2)."

19 SECTION 3. Section 209E-10, Hawaii Revised Statutes, is
20 amended by amending subsection (a) to read as follows:



1 "(a) The department shall certify annually to the
2 department of taxation the applicability of the tax credit
3 provided in this chapter for a qualified business against any
4 taxes due the State. Except for the general excise tax, the
5 credit shall be eighty per cent of the tax due for the first tax
6 year, seventy per cent of the tax due for the second tax year,
7 sixty per cent of the tax due for the third year, fifty per cent
8 of the tax due the fourth year, forty per cent of the tax due
9 the fifth year, thirty per cent of the tax due the sixth year,
10 and twenty per cent of the tax due the seventh year. For
11 qualified businesses engaged in the manufacturing of tangible
12 personal property or the producing or processing of agricultural
13 products, the credit shall continue after the seventh year at
14 the rate of twenty per cent of the tax due for each of the
15 subsequent [~~three~~] six tax years. Any tax credit not usable
16 shall not be applied to future tax years."

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

19 SECTION 8. This Act shall take effect on January 28, 2081,
20 and shall apply to taxable years beginning after December 31,
21 2016.



Report Title:

Enterprise Zones; Agriculture; Renewable Energy; Tax Credit

Description:

Requires agricultural producers in an enterprise zone to have at least 50 percent of production to occur within the enterprise zones located within the same county. Extends the tax credit eligibility periods in enterprise zones for agricultural producers for an additional three years. (HB784 HD1)

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