
A BILL FOR AN ACT

RELATING TO STATE ENTERPRISE ZONES.

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

1 SECTION 1. The legislature finds that the State enterprise
2 zones program was established in 1986 for the purpose of
3 stimulating business activity, job growth, and job retention in
4 areas where they are needed the most. These areas, known as
5 enterprise zones, are designated by the counties and approved by
6 the governor. Qualified companies who establish themselves in
7 enterprise zones receive benefits that include state tax credits
8 and tax waivers, as well as additional incentives provided by
9 the counties.

10 The legislature finds that the John A. Burns school of
11 medicine and the university of Hawaii cancer center serve as the
12 nexus of Hawaii's emerging health innovation and biotechnology
13 sector. Incentivizing private-sector investment through
14 enterprise zone designation will accelerate clinical research
15 and trials, medical device development, and the
16 commercialization of new treatments and technologies.
17 Co-locating these activities alongside academic medicine, health



1 systems, and technology incubation resources strengthens
2 industry clustering, attracts investments and new business
3 development, fosters high-wage job creation for local residents,
4 and expands access to advanced clinical services for Hawaii
5 patients. Such growth will support the State's long-term
6 economic diversification strategy by positioning Hawaii as a
7 globally competitive healthcare technology hub and increasing
8 export-oriented economic activity.

9 The legislature also finds that the university of Hawaii
10 John A. Burns school of medicine and university of Hawaii cancer
11 center play a vital role in advancing Hawaii's science,
12 technology, research, and advanced manufacturing sectors. These
13 institutions conduct cutting-edge research, clinical trials, and
14 medical device and pharmaceutical manufacturing that contribute
15 globally to the fields of oncology, healthcare, telemedicine,
16 and biotechnology, and support the State's focus on fostering
17 innovation and strengthening Hawaii's position in the
18 science-based industries of the future.

19 The legislature further finds that supporting economic
20 activity around these centers will attract investment, create



1 high-skilled jobs, and diversify Hawaii's economy consistent
2 with the State's economic and workforce developments goals.

3 Accordingly, the purpose of this Act is to:

4 (1) Authorize enterprise zone designation for census
5 tracts on state lands containing an innovation center,

6 including the university of Hawaii John A. Burns
7 school of medicine and the university of Hawaii cancer
8 center; and

9 (2) Allow businesses not established in an enterprise zone
10 to qualify for enterprise zone benefits; provided that
11 they have entered into a binding collaboration or
12 contract with a business that is established in the
13 census tract that contains the university of Hawaii
14 John A. Burns school of medicine and the university of
15 Hawaii cancer center.

16 SECTION 2. Section 209E-2, Hawaii Revised Statutes, is
17 amended as follows:

18 1. By adding a new definition to be appropriately inserted
19 and to read:

20 ""Affiliated collaborator"" means a Hawaii-based business
21 that:

1 (1) Is not established within an enterprise zone but has
2 entered into a written, binding agreement with a
3 qualified business established in the enterprise zone
4 that includes the university of Hawaii John A. Burns
5 school of medicine and the university of Hawaii cancer
6 center to perform an eligible business activity;
7 (2) Is engaged in an eligible business activity, as
8 defined in this section; and
9 (3) Conducts economic activity, including Hawaii-based
10 payroll, research expenditures, and clinical
11 operations, in the same county as the qualified
12 business described in paragraph (1)."

13 2. By amending the definition of "eligible business

14 activity" to read:

15 ""Eligible business activity" means the:

16 (1) Manufacture of tangible personal property, the

17 wholesale sale of tangible personal property as

18 described in section 237-4, or a service business as

19 defined in this section;

20 (2) Production of agricultural products where the business

21 is a producer as defined in section 237-5, or the

1 processing of agricultural products, all or some of
2 which were grown within an enterprise zone;
3 (3) Research, development, sale, or production of all:
4 (A) All types of ~~genetically engineered~~ medical,
5 agricultural, or maritime biotechnology
6 products~~, or~~; and
7 (B) Medical and health care services;
8 (4) Production of electric power from wind energy for sale
9 primarily to a public utility company for resale to
10 the public;
11 (5) Research and development of aerospace technology; or
12 (6) Information technology design and production services;
13 provided that medical cannabis dispensary activities pursuant to
14 chapter 329D shall not be considered an eligible business
15 activity for the purposes of this chapter."

16 SECTION 3. Section 209E-4, Hawaii Revised Statutes, is
17 amended by amending subsection (b) to read as follows:
18 "(b) The governor, upon the recommendation of the
19 director, shall approve the designation of up to six eight
20 areas in each county as enterprise zones for a period of twenty
21 years. Any such area shall be located in one United States



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

6 (1) Twenty-five per cent or more of the population have
7 incomes below eighty per cent of the median family
8 income of the county; [or]

9 (2) The unemployment rate is 1.5 times the state
10 average[.]; or

11 (3) Contain the university of Hawaii John A. Burns school
12 of medicine or the university of Hawaii cancer
13 center."

14 SECTION 4. Section 209E-9, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§209E-9 Eligibility; qualified business; sale of property**
17 **or services.** (a) Any business firm may be eligible to be
18 designated a qualified business for purposes of this chapter if
19 the business:

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



1 (2) During each taxable year has at least fifty per cent
2 of its enterprise zone establishments' gross receipts
3 attributable to the active conduct of trade or
4 business within enterprise zones located within the
5 same county; and

6 (3) Either:

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

15 (B) Increases its gross sales of agricultural crops
16 produced, or agricultural products processed
17 within enterprise zones located within the same
18 county by two per cent annually.

19 For business firms engaged in producing or processing
20 agricultural products, receipts from value-added products made
21 from crops grown within enterprise zones located within the same



1 county and sold at retail pursuant to the limits of
2 subsection (e) shall count toward the gross receipts requirement
3 under paragraph (2).

4 (b) A business firm may also be eligible to be designated
5 a qualified business for purposes of this chapter if the
6 business:

- 7 (1) Is actively engaged in the conduct of a trade or
8 business in an eligible business activity in an area
9 immediately prior to the area being designated an
10 enterprise zone;
- 11 (2) Meets the requirements of subsection (a)(2); and
- 12 (3) Either:
 - 13 (A) Increases its average annual number of full-time
14 employees employed at the business' establishment
15 or establishments within enterprise zones located
16 within the same county by at least ten per cent
17 by the end of the first year of operation, and by
18 at least fifteen per cent by the end of each of
19 the fourth, fifth, sixth, and seventh years of
20 operation, and for businesses eligible for tax
21 credits extending past the seventh year, at least



1 maintains that higher level of employment during
2 each subsequent taxable year; provided that the
3 percentage increase shall be based upon the
4 employee count at the beginning of the initial
5 year of operation within the enterprise zone or
6 zones; or

11 (c) After designation of an enterprise zone, each
12 qualified business firm in the zone shall submit annually to the
13 department an approved form supplied by the department that
14 provides the information necessary for the department to
15 determine if it may certify the applicability of the tax credits
16 and exemptions provided in this chapter for the business firm.
17 The approved form shall be submitted by each business to the
18 governing body of the county in which the enterprise zone is
19 located, then forwarded to the department by the governing body
20 of the county.



4 (e) Tangible personal property shall be sold at an
5 establishment of a qualified business within an enterprise zone
6 and the transfer of title to the buyer of the tangible personal
7 property shall take place in an enterprise zone located within

9 Services shall be sold at an establishment of a qualified
10 business engaged in a service business within an enterprise
11 zone.

12 (f) For any fiscal year that includes September 11, 2001,
13 a business may use its average annual number of full-time
14 employees as of August 31, 2001--rather than its average annual
15 number at the end of its fiscal year including September 11,
16 2001--if necessary to meet the requirements of subsection (a) (3)
17 and (4) or (b) (3). A business may also use its average annual
18 number of full-time employees at the end of its fiscal year that
19 includes September 11, 2001, as its base number of full-time
20 employees if necessary to meet the requirements of
21 subsection (a) (3) and (4) or (b) (3) in future fiscal years.



1 (g) An affiliated collaborator may be treated as a
2 qualified business for the limited purpose of receiving state
3 and county enterprise zone benefits; provided that:
4 (1) The affiliated collaborator shall have a written,
5 binding agreement with a qualified business
6 established in the enterprise zone that includes the
7 university of Hawaii John A. Burns school of medicine
8 or the university of Hawaii cancer center;
9 (2) The affiliated collaborator shall maintain a valid
10 binding agreement for the duration of its eligibility;
11 provided that the affiliated collaborator's
12 eligibility for enterprise zone benefits shall
13 terminate upon the expiration, termination, or breach
14 of the agreement; and
15 (3) The affiliated collaborator's eligibility for
16 enterprise zone benefits under this subsection shall
17 not exceed seven years."

18 SECTION 5. Section 209E-10, Hawaii Revised Statutes, is

19 amended to read as follows:

20 **"S209E-10 STATE BUSINESS TAX CREDIT.** (a) The department
21 shall certify annually to the department of taxation the

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

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



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

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



14 SECTION 6. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 7. This Act shall take effect upon its approval.

17

INTRODUCED BY:

SB LRB 26-0158-1.docx



S.B. NO. 2816

Report Title:

Enterprise Zones; University of Hawaii John A. Burns School of Medicine; University of Hawaii Cancer Center; Affiliated Collaborators

Description:

Increases the number of enterprise zones that may be nominated by each county. Authorizes enterprise zone designation for census tracts that contain the University of Hawaii John A. Burns School of Medicine and the University of Hawaii Cancer Center. Allow businesses not established in an enterprise zone to qualify for enterprise zone benefits; provided that they have entered into a binding collaboration or contract with a business that is established in the census tract that contains the University of Hawaii John A. Burns School of Medicine or the University of Hawaii Cancer Center.

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