

ACT 262

S.B. NO. 37

A Bill for an Act Relating to Enterprise Zones.

Be It Enacted by the Legislature of the State of Hawaii:

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

1. By amending the definition of “education and training services” to read:

““Education and training services” [include] means courses and programs for international business executives in [international] business management, marketing, financial services, human resources, risk management, and for technicians in environmental sciences and remediation.”

2. By amending the definition of “medical and health care services” to read: ““Medical and health care services” [includes] means medical research, clinical trials, and telemedicine, [and related consulting services,] but not routine medical treatment or services.”

3. By amending the definition of “telecommunication services” to read: ““Telecommunication services” [include] means terrestrial (copper and optical fiber cable) and satellite information delivery systems, switching systems, and ground stations, [and related consulting services,] but not consumer services.”

SECTION 2. Section 209E-4, Hawaii Revised Statutes, is amended to read as follows:

“§209E-4 Enterprise zone designation. (a) The governing body of any county may [make written application] apply in writing to the department to have an area declared to be an enterprise zone. The application shall include a description of the location of the area or areas in question, and a general statement identifying proposed local incentives to complement the state and any federal incentives.

(b) The governor, upon the recommendation of the director, shall approve the designation of up to six areas in each county as enterprise zones for a period of twenty years. Any such area shall be located in one United States census tract or two or more contiguous United States census tracts in accordance with the most recent decennial United States Census. The census tract or tracts within which each enterprise zone is located also shall meet at least one of the following criteria:

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

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

(c) Notwithstanding subsection (b), [all] census [tracts] tract #405 within the county of Kauai shall be eligible for designation as an enterprise zone. [Such] The eligibility for designation[, if made,] shall remain in effect until January 1, [1996] 1997, unless the governor earlier determines that [the designation] the eligibility is no longer necessary.

(d) Notwithstanding subsection (b) or (c), only lands classified as agricultural in the Waialua district on Oahu, as defined in section 4-1(3)(D), shall be designated an enterprise zone on July 1, 1997, and the designation shall remain in effect until June 30, 2002.”

SECTION 3. Section 209E-9, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (c) to read:

“(c) Subsections (a)(1), [(a)(3), (a)(4), and] (a)(2), (b)(1), and (b)(2) shall not apply to agriculture producers in any county with a population of one-hundred thousand or less[.]; provided that the agricultural producers shall only be subject to section 209E-9(b)(3), if they began operations prior to July 1, 1996, and only to section 209E-9(a)(3) and (4), if they began operations on or after July 1, 1996, but prior to July 1, 1998. This subsection shall apply to those producers even if the area within the county in which they are located is subsequently designated as an enterprise zone. Any agricultural producers described in this subsection that seek eligibility as a qualified business after June 30, 1998, in a county with a population of 100,000 or less shall be subject to section 209E-9(a) or (b).”

2. By amending subsection (f) to read:

“(f) Tangible personal property must be sold by an establishment of a qualified business within an enterprise zone and the transfer of title [and delivery] to the buyer of the tangible personal property must take place in the same enterprise zone in which the tangible personal property is sold. Services must be sold by an establishment of a qualified business engaged in a service business [or calling] within an enterprise zone and the services must be delivered in the same enterprise zone in which sold. Any services rendered outside of an enterprise zone shall not be deemed to be the services of a qualified business.”

SECTION 4. Section 209E-11, Hawaii Revised Statutes, is amended to read as follows:

“**§209E-11 State general excise and use tax exemptions.** The department shall certify annually to the department of taxation that any qualified business is exempt from the payment of general excise taxes on the gross proceeds from the manufacture of tangible personal property, the wholesale sale of tangible personal property, or the engaging in a service business by a qualified business in the enterprise zone[.] and exempt from the use tax for purchases by a qualified business. The gross proceeds received by a contractor shall be exempt from the general excise tax for construction within an enterprise zone performed for a qualified business within an enterprise zone. The exemption shall extend for a period not to exceed seven years.”

SECTION 5. Act 286, Session Laws of Hawaii 1996, is amended by amending section 5 to read as follows:

“SECTION 5. This Act shall take effect upon its approval; provided that on June 30, 1998, section 209E-9(c), Hawaii Revised Statutes, shall be repealed and the remaining subsections in section 209E-9, Hawaii Revised Statutes, shall be renumbered accordingly[.]; and provided further that any agricultural producers operating as a qualified business pursuant to section 209E-9(c), Hawaii Revised Statutes, prior to June 30, 1998, may complete their seven years of eligibility under chapter 209E, Hawaii Revised Statutes. Those agricultural producers shall only be subject to section 209E-9(b)(3), Hawaii Revised Statutes, if they began operations prior to July 1, 1996, and only to section 209E-9(a)(3) and (4), Hawaii Revised Statutes, if they began operations on or after July 1, 1996, but prior to July 1, 1998. Notwithstanding any provision to the contrary, agricultural producers under section 209E-9(c), Hawaii Revised Statutes, are not required to derive at least fifty per cent of their annual gross revenues from agricultural production in a designated enterprise zone even if the area within the county in which they are located is subsequently designated as an enterprise zone. Any agricultural producers seeking eligibility as a qualified business after June 30, 1998, in a county with a population of 100,000 or less shall be subject to the requirements of section 209E-9(a) and (b), Hawaii Revised Statutes.”

SECTION 6. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 7. This Act, upon its approval, shall take effect retroactive to December 31, 1996.

(Approved June 21, 1997.)