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# A BILL FOR AN ACT

RELATING TO ALTERNATIVE ENERGY INCENTIVES.

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

1           SECTION 1. The legislature finds that Hawaii is highly  
2 dependent upon imported oil for nearly all of its energy needs,  
3 including the creation of electricity, powering combustion  
4 engines, among other daily necessities of residing in this  
5 island paradise. As a result of Hawaii's energy dependency, it  
6 is also the most vulnerable state in the nation to economic  
7 disruption in the event of upheaval in the world oil market,  
8 which has proved to be even more true after Hurricane Katrina as  
9 a result of the legislature's enactment of the gas cap law and  
10 its relation to volatile markets.

11           The legislature also finds that Hawaii is blessed with an  
12 abundance of renewable energy resources, including wind, solar,  
13 hydropower, geothermal resources, ocean thermal energy  
14 conversion, and wave energy. As a result of these abundant  
15 alternative energy sources, the State must do all that is  
16 possible to encourage the development and implementation of  
17 alternative energy sources so that energy other than petroleum-  
18 based energy products may be commercialized for use in everyday



1 life. The technology is available now to greatly eliminate  
2 Hawaii's dependence on oil for energy. This technology is  
3 available, yet is cost prohibitive at this time. The  
4 legislature finds that it has always been concerned with  
5 conservation efforts and the ability to preserve the beauty of  
6 this great State. It is time the legislature take affirmative  
7 steps to encourage private industry to begin commercialization  
8 in Hawaii of alternative energy sources so that Hawaii can  
9 continue to be a clean, attractive, and safe environment for  
10 generations to come.

11 SECTION 2. Section 209E-2, Hawaii Revised Statutes,  
12 is amended by amending the definition of "qualified business" to  
13 read as follows:

14 ""Qualified business" means any corporation, partnership,  
15 or sole proprietorship authorized to do business in the State  
16 that is qualified under section 209E-9, subject to the state  
17 corporate or individual income tax under chapter 235, and [is]:

- 18 (1) Engaged in manufacturing, the wholesale sale of  
19 tangible personal property as defined in section 237-  
20 4, or a service business as defined in this chapter;  
21 (2) Engaged in producing agricultural products where the  
22 business is a producer as defined in section 237-5;



- 1 (3) Engaged in research, development, sale, or production
- 2 of all types of genetically-engineered medical,
- 3 agricultural, or maritime biotechnology products; [or]
- 4 (4) Engaged in producing electric power from wind energy
- 5 for sale primarily to a public utility company for
- 6 resale to the public[.]; or
- 7 (5) Engaged in research, development, sale, or production
- 8 of any alternative energy source."

9 SECTION 3. Section 209E-2, Hawaii Revised Statutes, is  
10 amended by adding a new definition to be appropriately inserted  
11 and to read as follows:

12 "Alternative energy source" means any source of energy  
13 including, but not be limited to, fuels, cells, electricity, or  
14 any other source of energy processed by solid waste, wind,  
15 geothermal, solar or photovoltaic conversion, ocean waves or  
16 tides, bioconversion, hydro-electric power, thermal conversion,  
17 or osmosis; provided that nuclear fission shall be excluded from  
18 the provisions of this section."

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

21 **"§209E-4 Enterprise zone designation.** (a) The governing  
22 body of any county may apply in writing to the department to

1 have an area declared to be an enterprise zone. The application  
2 shall include a description of the location of the area or areas  
3 in question, and a general statement identifying proposed local  
4 incentives to complement the state and any federal incentives.

5 (b) The governor, upon the recommendation of the director,  
6 shall approve the designation of up to [~~six~~] twenty areas in  
7 each county as enterprise zones for a period of twenty years.

8 Any such area shall be located in one United States census tract  
9 or two or more contiguous United States census tracts in  
10 accordance with the most recent decennial United States Census.

11 The census tract or tracts within which each enterprise zone is  
12 located also shall meet at least one of the following criteria:

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

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

17 (c) Notwithstanding subsection (b), census tract #405  
18 within the county of Kauai shall be eligible for designation as  
19 an enterprise zone. The eligibility for designation shall  
20 remain in effect until January 1, 1997, unless the governor  
21 earlier determines that the eligibility is no longer necessary.



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

6       SECTION 5. Section 209E-11, Hawaii Revised Statutes, is  
7       amended to read as follows:

8       "**§209E-11 State general excise exemptions.** The department  
9       shall certify annually to the department of taxation that any  
10      qualified business is exempt from the payment of general excise  
11      taxes on the gross proceeds from the manufacture of tangible  
12      personal property, the wholesale sale of tangible personal  
13      property, the engaging in a service business by a qualified  
14      business, or the engaging in research, development, sale, or  
15      production of all types of genetically-engineered medical,  
16      agricultural, or maritime biotechnology products, or alternative  
17      energy sources. The gross proceeds received by a contractor  
18      licensed under chapter 444 shall be exempt from the general  
19      excise tax for construction within an enterprise zone performed  
20      for a qualified business within an enterprise zone. The  
21      exemption shall extend for a period not to exceed seven years."



1 SECTION 6. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect upon its  
4 approval.

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INTRODUCED BY:

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SB2123

**Report Title:**

State Enterprise Zones; Alternative Energy Producers as  
Qualified Business

**Description:**

Expands definition of "qualified business" within the State  
Enterprise Zone laws to include the research, development, sale,  
or production of alternative energy sources. Defines  
"alternative energy" sources.

