
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 generation of electricity and the powering of
4 combustion engines, among the other daily necessities of
5 residing in this island paradise. As a result of Hawaii's
6 energy dependency, it is also the most vulnerable state in the
7 nation to economic disruption in the event of an upheaval in the
8 world oil market, which has proved to be even more true after
9 Hurricane Katrina and the legislature's enactment of the gas cap
10 law and 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
18 petroleum-based energy products may be commercialized for use in



1 everyday life. The technology is available now to greatly
2 reduce Hawaii's dependence on oil for energy. This technology
3 is 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, is
12 amended by adding a new definition to be appropriately inserted
13 and to read as follows:

14 "Alternative energy source" means any source of energy
15 including but not limited to renewable fuels, including ethanol
16 and biodiesel, electricity generated from municipal solid waste,
17 agricultural residues, energy crops, geothermal, solar thermal
18 or photovoltaic, ocean thermal, current waves or tides,
19 hydropower, including run-of-the-stream and pumped hydro
20 storage, production of fresh water from reverse osmosis or
21 open-cycle OTEC, and seawater air conditioning; provided that

1 nuclear fission shall be excluded from the provisions in this
2 section."

3 SECTION 3. Section 209E-2, Hawaii Revised Statutes, is
4 amended by amending the definition of "qualified business" to
5 read as follows:

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

- 11 (1) Engaged in manufacturing, the wholesale sale of
12 tangible personal property as defined in section
13 237-4, or a service business as defined in this
14 chapter;
- 15 (2) Engaged in producing agricultural products where the
16 business is a producer as defined in section 237-5;
- 17 (3) Engaged in research, development, sale, or production
18 of all types of genetically-engineered medical,
19 agricultural, or maritime biotechnology products; [~~or~~]
- 20 (4) Engaged in producing electric power from wind energy
21 for sale primarily to a public utility company for
22 resale to the public[~~-~~]; or

1 (5) Engaged in research, development, sale, or production
2 of any alternative energy source."

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

5 "**§209E-4 Enterprise zone designation.** (a) The governing
6 body of any county may apply in writing to the department to
7 have an area declared to be an enterprise zone. The application
8 shall include a description of the location of the area or areas
9 in question, and a general statement identifying proposed local
10 incentives to complement the state and any federal incentives.

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

- 19 (1) Twenty-five per cent or more of the population have
20 incomes below eighty per cent of the median family
21 income of the county; or
22 (2) The unemployment rate is 1.5 times the state average.

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

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

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

13 "**§209E-11 State general excise exemptions.** The department
14 shall certify annually to the department of taxation that any
15 qualified business is exempt from the payment of general excise
16 taxes on the gross proceeds from the manufacture of tangible
17 personal property, the wholesale sale of tangible personal
18 property, the engaging in a service business by a qualified
19 business, [e~~r~~] the engaging in research, development, sale, or
20 production of all types of genetically-engineered medical,
21 agricultural, or maritime biotechnology products, or alternative
22 energy sources. The gross proceeds received by a contractor



1 licensed under chapter 444 shall be exempt from the general
2 excise tax for construction within an enterprise zone performed
3 for a qualified business within an enterprise zone. The
4 exemption shall extend for a period not to exceed seven years."

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

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

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. (SD1)

