

Honolulu, Hawaii

Feb 7, 2006

RE: H.B. No. 2769
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committees on Agriculture and Economic Development & Business Concerns, to which was referred H.B. No. 2769 entitled:

"A BILL FOR AN ACT RELATING TO STATE ENTERPRISE ZONES,"

beg leave to report as follows:

The purpose of this bill is to assist agricultural businesses under the State's Enterprise Zone (EZ) program by, among other things:

- (1) Establishing that agricultural businesses shall remain eligible for all tax incentives under the EZ program during any period caused by a force majeure event;
- (2) Extending the eligibility period for agricultural businesses in the EZ program by the number of months of the duration of the force majeure event;
- (3) Clarifying the definition of "full-time employee" under the EZ program by specifically including leased employees and employees under a joint employer relationship in the definition; and
- (4) Allowing agricultural businesses that are unable to meet annual full-time employee requirements to instead meet annual gross revenue requirements.



The Department of Business, Economic Development, and Tourism, Department of Agriculture, Hawaii Agriculture Research Center, Hawaii Crop Improvement Association, Maui County Farm Bureau, Hawaii Farm Bureau Federation, Meadow Gold Dairies, Kaupo Ranch, Ltd., C&H Farms, and several concerned individuals supported this bill. The Department of Taxation offered comments.

Your Committees have amended this bill by:

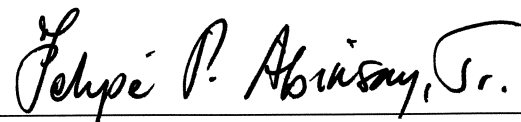
- (1) Specifying that agricultural businesses, operating in an area before the area is designated as an EZ, that are unable to meet annual full-time employment requirements may instead increase cumulative average annual gross revenues by at least two percent annually;
- (2) Inserting an inadvertently deleted provision that includes in the definition for "joint employer" an arrangement between employers to share an employee's services, for example, to interchange employees; and
- (3) Making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the records of votes of the members of your Committees on Agriculture and Economic Development & Business Concerns that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2769, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2769, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committees on Agriculture and
Economic Development & Business
Concerns,



JUN RIKI KARAMATSU, Chair



FELIPE P. ABINSAY, JR., Chair



