

STAND. COM. REP. NO.

2290

Honolulu, Hawaii

FEB 17

, 2006

RE: S.B. No. 2985  
S.D. 1

Honorable Robert Bunda  
President of the Senate  
Twenty-Third State Legislature  
Regular Session of 2006  
State of Hawaii

Sir:

Your Committees on Business and Economic Development and Water, Land, and Agriculture, to which was referred S.B. No. 2985 entitled:

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

beg leave to report as follows:

The purpose of this measure is to address the unique circumstances of agricultural businesses under the State Enterprise Zone Program by:

- (1) Establishing that agricultural businesses shall remain eligible for tax incentives in the event of force majeure;
- (2) Allowing agricultural businesses to meet annual gross revenue requirements if the businesses are unable to meet annual full-time employee requirements;
- (3) Amending the definition of "full-time employee" by including leased employees and employees under a joint employer relationship; and
- (4) Prohibiting a taxpayer claiming a tax credit or exemption under chapter 209E, Hawaii Revised Statutes, from claiming any other identical tax credit or exemption.



Your Committees received testimony in support of this measure from the Department of Business, Economic Development, and Tourism, the Department of Agriculture, the Maui County Farm Bureau, C & H Farms, the Hawaii Crop Improvement Association, and the Hawaii Farm Bureau. The Department of Taxation submitted comments on the measure.

Agriculture is a vital component of the State's economy because it provides the State with export products, a diversity of employment opportunities, a stage for tourism, and an opportunity for land and water stewardship. The State Enterprise Zone Program provides business incentives that will encourage agricultural activity. Unfortunately, the employment requirements to qualify for this program discourage many agricultural businesses from applying because agricultural employment is dependent on local and global markets, seasonal crops, labor availability, and weather conditions.

Your Committees find that it is difficult for agricultural businesses to meet the existing employment requirements of the State Enterprise Zone Program and that agricultural businesses need more opportunities to participate in the program. Amending chapter 209E to allow favorable tax incentives and easier employment qualifications will encourage more agricultural businesses to qualify and apply for the State Enterprise Zone Program.

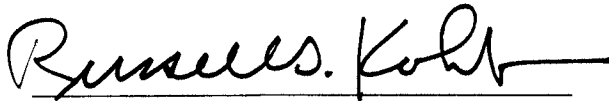
Your Committees have amended this measure by including the language suggested by the Department of Business, Economic Development, and Tourism that will differentiate between the revenue growth requirements of a new business and an existing business in a designated enterprise zone. A two per cent revenue growth for each year of participation in the program is required for existing businesses that were already actively engaged in business or trade in the area prior to being designated an enterprise zone under section 209E-9(b)(3), and the language was changed to reflect that requirement. Furthermore, your Committees have made technical, nonsubstantive stylistic changes.

As affirmed by the records of votes of the members of your Committees on Business and Economic Development and Water, Land, and Agriculture that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2985, as amended herein, and recommend that it pass Second Reading in the

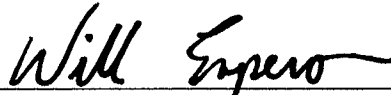


form attached hereto as S.B. No. 2985, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Business and Economic Development and Water, Land, and Agriculture,



RUSSELL S. KOKUBUN, Chair



WILL ESPERO, Chair





