

Honolulu, Hawaii

April 25, 2008

RE: H.B. No. 2739
H.D. 1
S.D. 2
C.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 2739, H.D. 1, S.D. 2, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this bill is to encourage the establishment and growth of agricultural businesses within Hawaii's enterprise zones (EZs) by amending the EZ law to recognize the unique challenges faced by this industry. This bill:

- (1) Makes businesses that process agricultural products eligible for EZ benefits;
- (2) Includes as full-time employees, leased employees and persons employed under a joint employment arrangement;



- (3) Allows agricultural businesses, as an alternative to increasing the number of their full-time employees, to qualify for EZ benefits by increasing gross sales of agricultural crops or products processed by two percent annually;
- (4) Allows agricultural businesses to qualify for EZ benefits by counting retail sales of value-added products made from crops grown in the EZ toward the 50 percent of gross receipts derived from business activities within the EZ that is required to obtain benefits; and
- (5) Allows agricultural businesses whose activities are disrupted by storms, droughts, and other force majeure events to remain eligible for EZ benefits during the period of disruption.

This bill also disqualifies agricultural businesses other than those engaged in producing genetically engineered products from the EZ general excise tax exemption for retail sales.

Your Committee on Conference has amended this bill by:

- (1) Providing that for a business engaged in processing agricultural products to be considered a qualified business, some or all of the products processed must be grown within an EZ;
- (2) Providing that the new employment requirements for businesses located in an area that becomes an EZ will only apply to EZs established after the effective date of the bill, to protect businesses that are meeting employment requirements under existing law;
- (3) Changing the effective date to July 1, 2008; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 2739, H.D. 1, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 2739, H.D. 1, S.D. 2, C.D. 1.



Respectfully submitted on behalf
of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE




JILL TOKUDA, Chair



KYLE T. YAMASHITA, Co-Chair



CAROL FUKUNAGA, Co-Chair



CLIFT TSUJI, Co-Chair



ROSALYN H. BAKER, Co-Chair



MARCUS R. OSHIRO, Co-Chair



