

Honolulu, Hawaii

Feb 29, 2008

RE: H.B. No. 2739
H.D. 1

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

Sir:

Your Committee on Finance, to which was referred H.B. No. 2739, H.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this bill is to support the growth of Hawaii's agriculture industry by amending the enterprise zones (EZ) law to allow more farmers to qualify for EZ tax incentives. Specifically, this bill:

- (1) Provides continued EZ eligibility for farmers whose businesses are damaged by natural disasters and extends the seven-year eligibility period for the duration of the loss;
- (2) Allows businesses engaged in processing agricultural products to qualify for EZ incentives;
- (3) Recognizes as full-time employees, employees hired under leased employee and joint employment hiring practices that allow the agriculture industry to cope with seasonal workforce needs and worker shortages;
- (4) Changes the timing of employee increases required for businesses in an area that becomes an EZ, but not the total number of new employees required, to ten percent



in the first year, followed by 15 percent increases during the fourth through seventh years of operation;

- (5) Allows agricultural businesses to count retail sales of value-added products made from crops grown within the EZ, toward the minimum 50 percent of gross receipts from businesses within the zone needed to qualify for EZ incentives; and
- (6) Provides that an agricultural business' retail sales do not qualify for the EZ general excise tax exemption for gross business receipts.

The Hawaii Crop Improvement Association and Hawaii Agricultural Research Center testified in support of this bill. The Department of Agriculture, Department of Business, Economic Development, and Tourism, Department of Taxation, Hawaii Aquaculture Association, Hawaii Farm Bureau Federation, Hawaii Science and Technology Council, Hawaii Oceanic Technology, Inc., and Hawaii Tax Foundation commented on this measure.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2739, H.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,


MARCUS R. OSHIRO, Chair



State of Hawaii
House of Representatives
The Twenty-fourth Legislature

HSCR 906-08

Record of Votes of the Committee on Finance

Bill/Resolution No.: HB 2739	Committee Referral: FIN	Date: 2-26-2008		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. OSHIRO, Marcus R. (C)	✓			
2. LEE, Marilyn B. (VC)	✓			
3. AWANA, Karen Leinani	✓			
4. BELATTI, Della Au	✓			
5. BROWER, Tom	✓			
6. CARROLL, Mele	-			✓
7. HANOHANO, Faye P.	✓			
8. HAR, Sharon E.	-			✓
9. KARAMATSU, Jon Riki	✓			
10. MAGAOAY, Michael Y.	✓			
11. MANAHAN, Joey	✓			
12. MIZUNO, John	✓			
13. NAKASONE, Bob	-			✓
14. RHOADS, Karl	-	✓		
15. SAGUM, Roland D., III	✓			
16. TOKIOKA, James Kunane	✓			
17. MEYER, Colleen Rose	-	✓		
18. PINE, Kymberly Marcos	-	✓		
19. WARD, Gene, Ph.D.	✓			
TOTAL (19)	13	3	0	3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u><i>Marilyn B. Lee</i></u>				
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