

# TAXBILLSERVICE

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SUBJECT: MISCELLANEOUS, Enterprise zone agricultural businesses

BILL NUMBER: HB 2739, HD-1

FIN 2/26

INTRODUCED BY: House Committees on Economic Development and Business Concerns and Agriculture

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BRIEF SUMMARY: Adds a new section to HRS chapter 209E to provide that if an agricultural business is: (1) prevented from maintaining enterprise zone eligibility requirements; or (2) interrupted due to a force majeure event, the business located in an enterprise zone shall not be disqualified as an eligible business. The seven-year eligibility period for such business shall be extended by the duration of the force majeure event.

Amends HRS section 209E-2 to add the definition of “force majeure,” “joint employment,” and “leased employee” for purposes of the measure. Amends the definition of “full-time” employee to include leased employees and employees under a joint employment relationship and the definition of “qualified business” to include a business engaged in processing agricultural products. Defines “force majeure” as an event including, but not limited to, damaging weather or natural disasters such as epidemic disease, pest outbreak, high wind, thunderstorm, hail storm, tornado, fire, flood, earthquake, lava flow or other volcanic activity, drought, tidal wave, hurricane, or any situation beyond the control of the agricultural business.

Amends HRS section 209E-9 to stipulate that receipts from value-added products made from crops grown within an enterprise zone and sold at retail pursuant to the enterprise zone requirements, shall count toward the gross receipts requirement for business firms engaged in producing or processing agricultural products. Also provides that a business shall be eligible as a “qualified business” if the business increases its average annual number of full-time employees employed at the business located within the enterprise zone by at least 10% by the end of the first year of operation; and by 15% by the end of each of the fourth, fifth, sixth, and seventh years of operation.

Amends HRS section 209E-11 to provide that agricultural businesses shall not be exempt from the payment of general excise taxes on the gross proceeds of agricultural retail sales.

EFFECTIVE DATE: Tax years beginning after December 31, 2034

STAFF COMMENTS: In an enterprise zone, businesses are attracted and encouraged to relocate to the zone through tax incentives, bonds, and other appropriate measures. Businesses located in an enterprise zone may claim a credit against taxes paid for a period of seven years and also allows the sale of items sold by such businesses to be exempt from the general excise tax. This measure proposes to allow an agricultural business located in an enterprise zone to maintain its eligibility requirements in the event of a force majeure and also to extend its enterprise zone benefits by the duration of the event.