



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION,
BUSINESS & MILITARY AFFAIRS
AND
HOUSE COMMITTEE ON AGRICULTURE**

Tuesday, March 17, 2009
10:30 AM
State Capitol, Conference Room 312

in consideration of
SB 1248 SD1
RELATING TO STATE ENTERPRISE ZONES.

Chairs McKelvey and Tsuji, Vice-Chairs Choy and Wooley, and Committee members:

This bill extends Enterprise Zone (EZ) tax credits and exemptions for businesses engaged in the manufacturing of tangible personal property or in the producing or processing of agricultural products, for an additional seven years. It also allows the receipts, sales, and employees of a business's establishments in all enterprise zones located within the same county to count towards qualification requirements. Given the current fiscal difficulties the Department opposes enactment of this bill at this time.

Thank you for the opportunity to offer these comments.

LINDA LINGLE
Governor



SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

DUANE OKAMOTO
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 Fax: (808) 973-9613

**TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEES ON
ECONOMIC REVITALIZATION, BUSINESS & MILITARY AFFAIRS
AND
AGRICULTURE
TUESDAY, MARCH 17, 2009
10:30 A.M.
CONFERENCE ROOM 312**

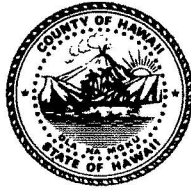
**SENATE BILL NO. 1248, S.D. 1
RELATING TO STATE ENTERPRISE ZONES**

Chairpersons McKelvey and Tsuji and Members of the Committees:

Thank you for the opportunity to comment on Senate Bill No. 1248, S.D. 1. The purpose of this bill is to improve the state enterprise zone program by allowing limited liability companies to be included under the definitions of "qualified businesses" and "service businesses," by extending the enterprise zone tax credits and exemptions for businesses engaged in the manufacturing of tangible personal property or in the producing or processing of agricultural products for an additional seven years, and by allowing the receipts, sales and employees of a business's establishments in all enterprise zones located within the same county to count towards qualification requirements.

The Hawaii Department of Agriculture (HDOA) acknowledges the merit of this measure as we believe that agriculture producers would benefit from an extension of enterprise zone tax credits and neighborhood revitalization programs that create agricultural jobs. However, we caution that an extension of tax credits and exemptions in this difficult economic period may be detrimental to the state budget and defer to the Department of Taxation as to the budgetary impact.

William P. Kenoi
Mayor



Randall M. Kurohara
Director

Diane L. Ley
Deputy Director

County of Hawaii

DEPARTMENT OF RESEARCH AND DEVELOPMENT

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March 17, 2009

The Honorable Angus L. K. McKelvey, Chairperson
And Members of the House Committee on Economic Revitalization, Business, &
Military Affairs
The Honorable Clift Tsuji, Chairperson
And Members of the House Committee on Agriculture
Hawaii State Capitol, Conference Room 312
415 South Beretania Street
Honolulu, HI 96813

RE: Senate Bill No. 1248, SD1, Relating to State Enterprise Zones

Dear Chairpersons McKelvey and Tsuji, and Committee Members:

Thank you for this opportunity to submit testimony regarding Senate Bill 1248, SD1, relating to State Enterprise Zones (EZ). The County of Hawaii Department of Research and Development strongly supports Senate Bill 1248, SD 1, which allows manufacturers and agricultural producers to renew their EZ eligibility for an additional seven (7) years; and allows receipts, sales, and employees of a business establishment located within multiple enterprise zones in the same county to count toward qualification requirements.

Hawai'i Island has, by far, the largest extent of agricultural lands, number of farms and has the highest yield of agricultural products in the state. As a result of this, there is also a significant number of manufacturing operations related to agricultural production. It has been recognized that many crops take years to grow and reach market; thus the seven (7) year timeframe for the EZ program is insufficient for agricultural businesses to take advantage of EZ income tax credit benefits, since frequently there will be no revenues to pay taxes on during the growing out phase. Both agriculture and manufacturing are two business sectors that the Department strongly supports and allowing these businesses to renew their participation for an additional seven (7) in the EZ program, will greatly assist them during this challenging economic period.

The Department also supports allowing a business establishment located in multiple enterprise zones within the same county to qualify for the EZ program. Often operations are located in a rural enterprise zone area where labor and land is more affordable, and the sales and administrative offices may be located in an urban enterprise zone area, such as Hilo and Kona where more professionals and white collar labor is available.

Honorable Angus L. K. McKelvey, Chairperson & Members
House Committee on Economic Revitalization, Business, & Military Affairs
Honorable Clift Tsuji, Chairperson & Members
House Committee on Agriculture
March 17, 2009
SB 1248, SD1 Relating to State Enterprise Zones
Page 2.

Presently, businesses with split operations are not eligible for the EZ program because they are located in two or more enterprise zones. As land values increase, the practice of utilizing more affordable locations in other designated zones for production purposes will increase in the future.

The proposed amendments in Senate Bill 1248, SD1 will serve to modernize the EZ program by addressing these changing business models and allow additional agriculture and manufacturing businesses to participate in this employment-generating program; hence, your Committees' favorable consideration of this bill would be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Diane Ley".

Diane Ley
Deputy Director

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Expand enterprise zone eligibility

BILL NUMBER: SB 1248, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 209E-2 to amend the definition of “qualified business” to include a limited liability company as an eligible entity to receive enterprise zone benefits.

Amends HRS section 209E-9 to provide that the receipts, sales, and employees of a business’ establishment in all enterprise zones located within the same county shall count toward enterprise zone qualification requirements.

Amends HRS section 209E-10 to provide that qualified businesses engaged in the manufacturing of tangible personal property or the producing of agricultural products shall be eligible for an extension of enterprise zone benefits for an additional seven years.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: This measure proposes to allow business entities that are structured as limited liability companies to receive enterprise zone benefits. The measure also extends enterprise zone benefits for certain businesses for an additional seven years, after its first seven-year period expires.

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.

While it appears that it is the intent of the legislature to encourage new and existing businesses to expand their employment bases and increase their marketing territories, enterprise zones merely exacerbate what is already considered a poor climate in which to do business. Singling out businesses for preferential treatment merely confers preferences for those businesses at the expense of all other taxpayers.

Concurrent efforts must be made to improve Hawaii’s business climate to enhance the economic prospects for all businesses. Enterprise zones are merely an abdication of government’s responsibility to create a nurturing and supportive business climate so that all businesses can thrive in Hawaii and provide the jobs the people of Hawaii need.

Instead of expanding the enterprise zone program, the program should be repealed in favor of across-the-board tax relief for all businesses in Hawaii. For example, the consultant to the most recent Tax Review Commission suggested that all business-to-business transactions be exempt from the general excise tax as a means of reducing not only the cost of doing business in Hawaii but the overall cost of living.

Indeed, has there been a comprehensive evaluation of the program and do lawmakers know exactly how much enterprise zone businesses have benefitted and whether or not they have created the jobs promised when the program was first established? If, in fact, lawmakers believe that they need these special zones to attract businesses and to create jobs, what does that say about those areas of the state that are not so favored? Does, in fact, Hawaii's harsh business climate and poor reputation for a place to invest come as a result of providing such tax breaks at the expense of those businesses and individuals who cannot claim these tax incentives? Does the high burden of taxes have to be maintained because "tax relief" is extended to only a chosen few? This is the problem that lawmakers have created in recent years as they single out zones like these or select industries for most favored status. If that is the case, then lawmakers should hang out a sign that says don't come to Hawaii or invest in Hawaii unless you can secure a tax break from the legislature.

Digested 3/16/09

Testimony before the House Committees on

Economic Revitalization, Business, & Military Affairs and Agriculture

S.B. 1248 SD1 – Relating to State Enterprise Zones

**Tuesday, March 17, 2009
10:30 am, Conference Room 312**

**By Arthur Seki
Director of Technology
Hawaiian Electric Company, Inc.**

Chairs McKelvey and Tsuji, Vice Chairs Choy and Wooley and members of the Committees:

My name is Arthur Seki—I am the Director of Technology at Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company (HECO) and its subsidiaries, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO) hereinafter collectively referred to as HECO.

HECO supports S.B. 1248 SD1, which amends the state enterprise zone language and opens the area for renewable energy activities. Land availability and incentives for renewable energy development continue to be issues.

HECO offers these recommendations for your consideration:

1. Page 3, line 1—“Production of electric power from wind energy...” Replace wind energy with “renewable energy”. This will help all types of renewable energy development that may occur in the state enterprise zones.
2. Allow areas offshore to be located in the state enterprise zone for ocean energy development such as wave energy. As you may know, there are a number of ocean energy projects in Hawaii:

- Ocean Power Technology (New Jersey) continues its wave buoy demonstration project off Kaneohe Marine Corp Base. A third buoy was deployed in June 2007. This demonstration includes an underwater electrical cable installed about 1 mile off Kaneohe Marine Base. HECO engineers provided technical review and support for the interconnection design of this electrical system.
- OceanLinx (Australia) continues their development of a small wave farm off Pauwela Point on the northeast coast of Maui.
- Hawaii Natural Energy Institute was recently awarded a multi-year, multi-million dollar grant as a National Marine Renewable Energy Research Center. This Center will facilitate the development and implementation of commercial wave energy systems and assist the private sector in moving ocean thermal energy conversion systems beyond proof-of-concept to pre-commercialization, long-term testing. HECO is an industry partner in this program.

Thank you for the opportunity to present this testimony.

Ala Moana Pacific Center, Suite 1800
1585 Kapiolani Boulevard
Honolulu, Hawaii 96814-4500
Telephone 808 942-8108
Facsimile 808 948-9595

DataHouse



Statement of
CLYDE K. SHIGI
President / CEO
DataHouse Consulting, Inc.

Before the
House Committee on Economic Revitalization, Business & Military Affairs
House Committee on Agriculture

Tuesday, March 17, 2009
10:30 A.M.
State Capitol, Conference Room 312

In consideration of
Senate Bill No. 1248
RELATING TO STATE ENTERPRISE ZONES

Chair McKelvey, Vice-Chair Choy and Members of the Committee on Economic
Revitalization, Business & Military Affairs
and
Chair Tsuji, Vice-Chair Wooley and Members of the Committee on Agriculture:

As President/CEO of DataHouse Consulting, Inc, I would like to express my support of **SB1248** with the inclusion of Information Technology as a program eligible for renewal. Our Company participated in the State Enterprise Zones program from February 2002 through January 2009. We are engaged in the development (from analysis through implementation) of unique computer software and database applications and enhancements (material modification of third-party software) for sale or license. These activities require highly educated and skilled software developers, project managers, analysts, and testers, which provide opportunities for many talented Hawaii people to remain or move back to Hawaii.

From February 2002 to December 2008, our employee count increased from 43 to 62 full-time employees for Enterprise Zone purposes. This meant 19 new jobs and a 44% increase in our work force. Over that time, we have also employed many student interns that are pursuing careers in information technology. Benefits from the State Enterprise Zone program allowed us to grow faster than we might have without the program benefits. Including information technology design and production in the categories eligible for program renewal would allow us the opportunity to continue to grow in these challenging economic times.



Page 2

Statement of Clyde K. Shiigi / DataHouse Consulting, Inc.
Senate Bill No. 1248 Relating to State Enterprise Zones

In summary, **SB1248**, relating to State Enterprise Zones, allows agriculture producers, manufacturers, and wholesalers to renew their participation in the Enterprise Zone program for another seven years. Please consider adding the category "information technology design and production" to those available for program renewal.

If you have any questions concerning our request, please call me at 942-8108.

Thank you for your consideration.

Best regards,
Clyde K. Shiigi
DataHouse Consulting, Inc.
1585 Kapiolani Blvd. Suite 1800
Honolulu, Hawaii 96814
direct tel: (808) 948-9126
mobile tel: (808) 780-8510



Hawaii's Finest Macadamia Nuts ~ Chocolates ~ Confections

March 16, 2009

Honorable Representative Angus McKelvey, Chairperson and Committee Members
Economic Revitalization, Business & Military Affairs Committee
Honorable Representative Cliff Tsuji, Chairperson and Committee Members
Agriculture Committee

RE: SB 1248 SD1, STATE ENTERPRISE ZONES
March 17 at 10:30 am, Room 312

My name is Gwendolyn Purdy, Vice President of Island Princess. Our company **strongly supports SB1248 SD1** relating to Enterprise Zones.

We are a Hawaii manufacturer & wholesaler located in Honolulu, producing chocolates and confections, along with a Macadamia orchard in Hilo. We employ 65 staff in Honolulu and another 65 in Hilo. Our payroll for 2008 was almost \$3 million.

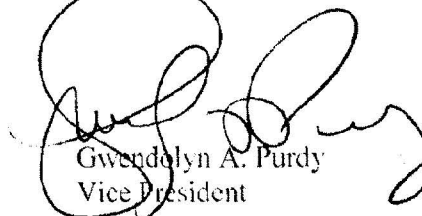
We purchase a significant amount of the raw materials for our products from local suppliers, which also helps the Hawaii economy.

As you are aware, tourism was down significantly in 2008. We are fortunate to have a strong local base for our products but we are still dependent on tourism, as are most businesses in Hawaii. 2009 has started out very slow and we are concerned about keeping our employees working.

SB1248 would allow us to renew our participation in the Enterprise Zone program. This would be a tremendous boost to our business during these uncertain and difficult times. It could mean the difference between hiring additional staff and laying off employees.

I can be reached at 808-398-7222 if you should have any questions. I appreciate the opportunity to present this testimony.

Best regards,




Gwendolyn A. Purdy
Vice President

A Division of Purdyco Ltd.

2846 Ualena Street • Honolulu, Hawaii 96819-1910

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**Hawaii
Aquaculture
Association**

THE HOUSE
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY
AFFAIRS

Representative Angus L.K. McKelvey, Chair
Representative Isaac W. Choy, Vice Chair
and

COMMITTEE ON AGRICULTURE
Representative Clift Tsuji, Chair
Representative Jessica Wooley, Vice Chair

DATE: Tuesday, March 17, 2009
TIME: 10:30 a.m.
PLACE: Conference Room 312
State Capitol
415 South Beretania Street

SB 1248 RELATING TO STATE ENTERPRISE ZONES.

Honorable Chair McKelvey, Chair Tsuji, Vice Chair Choy, Vice Chair Wooley, and
Committee Members,

The Hawaii Aquaculture Association (HAA) strongly supports SB1248 which authorizes agricultural producers and manufacturers to renew their eligibility in the enterprise zone program for an additional seven years, amends the definition of “qualified business” to include any limited liability corporation, and includes other substantive improvements. Given the current recession and the difficulties of maintaining agricultural operations under such conditions, and the increased frequency of agricultural operations becoming limited liability corporations, the HAA finds the changes included in SB1248 both timely and beneficial to agricultural operations in the State Enterprise Zones and therefore strongly supports SB1248. Thank you for the opportunity to testify.

Ronald P. Weidenbach, HAA President, hawaiiifish@gmail.com, (808) 429-3147



Post Office Box 685
Waialua, Hawaii 96791
Tel: (800) 367-6010
Fax (808) 637-6194

March 13, 2009

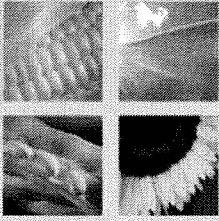
Fax TO: Committee on Economic Revitalization, Business, & Military Affairs and
Committee on Agriculture (fax 586-8479 on Oahu)

From: Jean Olvey

Number of pages (including this one): 1

Subject: Testimony in Support of SB 1248 – Enterprise Zone Program

Please SUPPORT **SB1248** that will allow ag producers and manufacturers to extend their participation in the EZ program upon expiration for another 7 years. Our company, Oils of Aloha, has participated in the Enterprise Zone program for 5 years. The benefits of the EZ program has allowed us to expand our company significantly through increased sales, staffing positions, product research and new product development. Our most popular product is kukui oil. This unique oil provides natural relief for dry skin, symptoms of eczema and psoriasis, radiation burns and sunburns. We also make nutritious macadamia oil for cooking. Both our oils are also raw ingredients sold to the cosmetic and pharmaceutical and food industries WORLDWIDE. Being a small business manufacturer in the current economy has been difficult in recent years. Rising freight and shipping cost has taken a drastic toll on Hawaii businesses. We need the support of the Enterprise Zone benefits to stay afloat. This is a worthwhile program for Hawaii's small business, Hawaii's agriculture and local residents.



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Alicia Maluafiti

Hawaii Crop Improvement Association

Growing the Future of Worldwide Agriculture in Hawaii

Testimony By: Alicia Maluafiti
SB 1248sd1, Relating to State Enterprise Zones
Hse EBM/AGR Committees
Tuesday, March 17, 2009
Room 312, 10:30 am

Position: Strong Support

Chairs McKelvey and Tsuji, and Members of the Hse EBM/AGR Committees:

My name is Alicia Maluafiti, Executive Director of the Hawaii Crop Improvement Association. The Hawaii Crop Improvement Association (HCIA) is a nonprofit trade association representing the agricultural seed industry in Hawaii. Now the state's largest agricultural commodity, the seed industry contributes to the economic health and diversity of the islands by providing high quality jobs in rural communities, keeping important agricultural lands in agricultural use, and serving as responsible stewards of Hawaii's natural resources.

Although HCIA member companies do not participate in EZ tax credits and exemptions, we strongly believe that agriculture enterprise zones, and the proposed extensions of the credits to include manufacturers and processors of agricultural products are of benefit to other qualified agribusinesses.

Measures such as this support the nurturing and growth of Hawaii's agriculture industry.

Thank you for the opportunity to testify.

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Hawaii Agriculture Research Center

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**TESTIMONY BEFORE THE HOUSE COMMITTEES
ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY AFFAIRS
AND
AGRICULTURE**

SENATE BILL 1248, SD1

Relating to State Enterprise Zones

March 17, 2009

Chairs McKelvey and Tsuji and Members of your respective Committees:

My name is Stephanie Whalen. I am Executive Director of the Hawaii Agriculture Research Center (HARC). I am testifying today on behalf of the center and our research and support staff.

HARC strongly supports Senate Bill 1248, SD1 Relating to State Enterprise Zones

Most people in Hawaii recognize the need for viable agriculture in our islands and there has been considerable discussion concerning incentives to support farming and decrease our dependence on imports. This proposal provides continuing support that can be maintained without causing further harm to Hawaii's fragile economy.

This measure extends the benefits of the enterprise zone at a critical time in Hawaii's economy and supports Hawaii's rural and emerging locally based-businesses. With such a high dependence on tourism, servicing others, hopefully measures like this that help to retain and encourage expansion of what little manufacturing and agriculture there is ranks high on the legislative agenda.

Thank you for the opportunity to testify in support of Hawaii's agricultural needs.

~~Testimony to Senator Marcus Oshiro~~

Tuesday, March 17, 2008 at 10:30 a.m.

Conference Room 312, State Capitol

Re: Senate Bill No. 1248 Relating to EZ Program

~~Vice Chair Oshiro and members of the Committees:~~

My name is Donald Bryan. I am a resident of the Hamakua Coast on the Big Island. I am the President and CEO of Tradewinds Forest Products.

I strongly support the SB 1248. For the past three years we have been working to build a veneer mill and cogen facility on the Big Island. When our mill and power plant are in operation, we will provide over 100 family-wage jobs. Now, more than ever, the State needs to do everything in its power to encourage new business.

The EZ program helped us make our site selection. By locating in an EZ, we gain many advantages which helps offset some of the incredibly high expenses of establishing a new industrial enterprise in Hawaii.

The Hamakua Coast needs jobs and we need the EZ program to continue.

I urge you to move Senate Bill 1248 towards passage.

Donald P. Bryan
President & CEO
Tradewinds Forest Products
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O'okala, Hawaii 96774
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donbryan@tfp-hi.com