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## A BILL FOR AN ACT

RELATING TO SEAWATER AIR CONDITIONING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that seawater air  
2 conditioning district cooling systems help to reduce our  
3 dependence on fossil fuels and help our economy. The twenty-  
4 five thousand ton seawater air conditioning district cooling  
5 system under development for downtown Honolulu can potentially  
6 reduce Oahu's dependence on imported oil by as much as one  
7 hundred seventy-four thousand barrels annually.

8           The downtown Honolulu seawater air conditioning project  
9 will generate millions of dollars in construction project  
10 spending. In addition, it will create a significant amount of  
11 long-term, gainful employment. Other local economic development  
12 benefits will accrue from money that stays in Hawaii and is not  
13 exported outside the State to purchase oil.

14           During the lifetime of this system, local spending would  
15 amount to more than \$294,000,000. The calculated output based  
16 on this local spending is \$456,000,000. This amount of local  
17 spending would also generate \$149,000,000 in earnings and 3,516



1 full-time-equivalent person-years of jobs. This is equivalent  
2 to 133 full-time jobs for 26.5 years.

3 Furthermore, this project will actually generate additional  
4 revenues for the State during the next three years, and over its  
5 more than twenty-five year life. The downtown Honolulu seawater  
6 air conditioning project is a new project which will generate an  
7 estimated \$8,252,000 in new taxes during the period from 2009 to  
8 2011. During this same period, this project will be eligible  
9 for \$5,116,000 in enterprise zone benefits. Therefore, the net  
10 fiscal benefit to the State during this period will be  
11 \$3,135,000. If this project is not completed, there will be a  
12 net revenue loss to the State of \$3,135,000. During its  
13 lifetime, the system would generate \$24,000,000 in new state  
14 taxes.

15 The purpose of this Act is to assist seawater air  
16 conditioning district cooling systems by allowing the systems to  
17 benefit from the State's enterprise zone program.

18 SECTION 2. Section 209E-2, Hawaii Revised Statutes, is  
19 amended by amending the definition of "qualified business" to  
20 read as follows:

21 ""Qualified business" means any corporation, partnership,  
22 or sole proprietorship authorized to do business in the State



1 that is qualified under section 209E-9, subject to the state  
2 corporate or individual income tax under chapter 235, and is:

- 3 (1) Engaged in manufacturing, the wholesale sale of  
4 tangible personal property as defined in section  
5 237-4, or a service business as defined in this  
6 chapter;
- 7 (2) Engaged in producing agricultural products where the  
8 business is a producer as defined in section 237-5, or  
9 engaged in processing agricultural products, all or  
10 some of which were grown within an enterprise zone;
- 11 (3) Engaged in research, development, sale, or production  
12 of all types of genetically-engineered medical,  
13 agricultural, or maritime biotechnology products; [~~e~~]
- 14 (4) Engaged in producing electric power from wind energy  
15 for sale primarily to a public utility company for  
16 resale to the public[-]; or
- 17 (5) Engaged in producing air conditioning from a seawater  
18 air conditioning district cooling system."

19 SECTION 3. Section 209E-11, Hawaii Revised Statutes, is  
20 amended to read as follows:

21 "§209E-11 State general excise exemptions. The department  
22 shall certify annually to the department of taxation that any



1 qualified business is exempt from the payment of general excise  
2 taxes on the gross proceeds from the manufacture of tangible  
3 personal property, the wholesale sale of tangible personal  
4 property, the engaging in a service business by a qualified  
5 business, [~~or~~] the engaging in research, development, sale, or  
6 production of all types of genetically-engineered medical,  
7 agricultural, or maritime biotechnology products [~~+~~], or the  
8 production of air conditioning from a seawater air conditioning  
9 district cooling system; provided that agricultural businesses  
10 other than those engaged in the production of genetically-  
11 engineered agricultural products shall not be exempt from the  
12 payment of general excise taxes on the gross proceeds of  
13 agricultural retail sales. The gross proceeds received by a  
14 contractor licensed under chapter 444 shall be exempt from the  
15 general excise tax for construction within an enterprise zone  
16 performed for a qualified business within an enterprise zone.  
17 The exemption shall extend for a period not to exceed seven  
18 years; provided that if a force majeure event occurs, then the  
19 period of time shall be tolled until the force majeure event  
20 ceases."

21 SECTION 4. Statutory material to be repealed is bracketed  
22 and stricken. New statutory material is underscored.



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1 SECTION 5. This Act shall take effect upon its approval.

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**Report Title:**

Enterprise Zones; Seawater Air Conditioning Cooling System

**Description:**

Allows the sale of cooling from seawater air conditioning district cooling systems to qualify for state enterprise zone benefits.

