
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 174,000
7 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 is not exported outside the
13 State to purchase oil, but rather, is circulated in the local
14 economy.

15 During the lifetime of this system, local spending would
16 exceed \$294,000,000. The calculated output based on this local
17 spending is \$456,000,000. This amount of local spending would

1 also generate \$149,000,000 in earnings and 3,516 full-time-
2 equivalent person-years of jobs. This is equivalent to 133
3 full-time jobs for 26.5 years.

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

1 SECTION 5. This Act shall take effect on January 1, 2050.

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. Effective 1/1/2050. (SD2)