

Honolulu, Hawaii

Feb 4, 2010

RE: H.B. No. 424
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committee on Economic Revitalization, Business, & Military Affairs, to which was referred H.B. No. 424 entitled:

"A BILL FOR AN ACT RELATING TO SEAWATER AIR CONDITIONING,"

begs leave to report as follows:

The purpose of this bill is to reduce Hawaii's dependence on fossil fuels by making seawater air conditioning district cooling systems eligible for tax and regulatory incentives under the Enterprise Zone (EZ) Program.

Honolulu Seawater Air Conditioning, LLC, supported this bill. The Department of Business, Economic Development, and Tourism supported the intent of this measure. The Department of Taxation opposed this bill. Tax Foundation of Hawaii submitted comments.

Your Committee finds that currently, businesses producing electricity from wind power are the only renewable energy producers eligible for EZ benefits. Adding seawater air conditioning district cooling systems to the EZ Program is consistent with the State's efforts to develop Hawaii's renewable energy resources.

However, your Committee also recognizes that making EZ benefits available only to certain types of businesses raises questions as to whether this preferential treatment is justified.



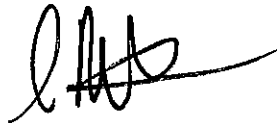
Upon consideration, your Committee has amended this bill by replacing its substance with that of Senate Bill No. 242, H.D. 2. Your Committee further amended this measure to include applicable 2009 amendments to the Hawaii Revised Statutes.

As amended, this bill differs from H.B. No. 424 in that it:

- (1) Provides that the EZ general excise tax exemption for a contractor's gross proceeds from construction of an EZ business, does not apply to seawater air conditioning district cooling systems;
- (2) Changes the effective date to January 1, 2112; and
- (3) Contains technical, nonsubstantive differences.

As affirmed by the record of votes of the members of your Committee on Economic Revitalization, Business, & Military Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 424, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 424, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Revitalization, Business, &
Military Affairs,



ANGUS L.K. MCKELVEY, Chair



State of Hawaii
House of Representatives
The Twenty-fifth Legislature

HSCR 102-10

Record of Votes of the Committee on Economic Revitalization, Business, & Military Affairs

Bill/Resolution No.: HB 424	Committee Referral: EBM, FIN	Date: Jan. 26, 2010		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" 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)				
EBM Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. CHOY, Isaac W. (VC)	✓			
3. BERG, Lyla B.				✓
4. EVANS, Cindy	✓			
5. MANAHAN, Joey	✓			
6. TAKAI, K. Mark	✓			
7. TOKIOKA, James Kunane				✓
8. TSUJI, Clift	✓			
9. WAKAI, Glenn	✓			
10. WOOLEY, Jessica		✓		
11. WARD, Gene				✓
TOTAL (11)	7	1		3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				