

STAND. COM. REP. NO.

188

Honolulu, Hawaii

Feb 10, 2011

RE: H.B. No. 116
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Health, to which was referred H.B. No. 116
entitled:

"A BILL FOR AN ACT RELATING TO MEDICAL ENTERPRISE ZONES,"

begs leave to report as follows:

The purpose of this bill is to encourage the establishment of modern medical and research facilities within the State and attract highly skilled general and specialized medical, research, and health care professionals to work in Hawaii by establishing a Medical Enterprise Zone (MEZ) Pilot Program in West Maui for a period of seven years. Among other things, this measure:

- (1) Establishes criteria for qualified businesses to meet in order to receive the benefits of being located in an MEZ;
- (2) Establishes a graduated system of tax credits for businesses located in an MEZ;
- (3) Provides for certain general excise tax and use tax exemptions;
- (4) Provides for the establishment of local incentives to attract businesses to an MEZ; and
- (5) Provides for the termination of an MEZ.

HB116 HD1 HSCR HLT HMS 2011-1958



The Mayor of the County of Maui, Hawaii Medical Association, West Maui Veterans Club, Maui County Veterans Council, West Maui Improvement Foundation, West Maui Taxpayers Association, Maui Hotel & Lodging Association, Hawaii Association for Justice, and numerous concerned individuals testified in support of this bill. The Department of Business, Economic Development, and Tourism (DBEDT) supported the intent of this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments.

Your Committee has amended this bill by:

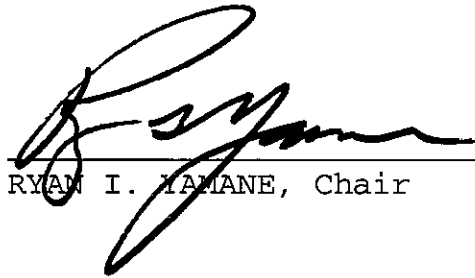
- (1) Amending the definition of "medical or research facility" to remove the discretion given to DBEDT to determine whether a facility falls within this definition;
- (2) Removing the 30- and 60-day time limitations for the designation of a proposed area as an MEZ and approval of that designation by DBEDT, respectively;
- (3) Specifying that a facility may qualify for MEZ tax incentives if a facility:
 - (A) Has at least 25 percent of its gross receipts attributable to its operations in the MEZ;
 - (B) Increases its average annual number of full-time employees by at least 25 percent in its first year of participation; and
 - (C) Increases its average number of full-time employees employed at the facility within the MEZ by at least ten percent annually;
- (4) Establishing the income tax and unemployment tax credits at 25 percent of the applicable taxes due the first three years as a qualified business;
- (5) Removing language establishing graduated amounts of the income tax and unemployment tax credits over a period of seven years;
- (6) Changing its effective date to January 1, 2050, and the repeal date to January 1, 2053; and



- (7) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 116, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 116, H.D. 1, and be referred to the Committee on Economic Revitalization & Business.

Respectfully submitted on
behalf of the members of the
Committee on Health,



RYAN I. YAMANE, Chair



