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# TAXBILLSERVICE

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**SUBJECT:** MISCELLANEOUS, Expand enterprise zone eligibility

**BILL NUMBER:** SB 1496

**INTRODUCED BY:** Espero, Fukunaga, Wakai and 1 Democrat

**BRIEF SUMMARY:** Amends HRS section 209E-2 to amend the definition of "eligible business activity" in an enterprise zone to include the development of space exploration and lunar research related activities.

**EFFECTIVE DATE:** Upon approval

**STAFF COMMENTS:** This measure proposes to expand enterprise zone laws to include the development of space exploration and lunar research related activities. 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Instead of expanding the enterprise zone program, the program should be repealed in favor of across-the-board tax relief for all businesses in Hawaii. 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? When and until an evaluation of the enterprise zone program is made, lawmakers should refrain from further expansion of such zones and activities.

It should be remembered that the underlying philosophy of enterprise zones is to encourage businesses to locate in economically depressed areas and while some may think the entire state is economically depressed, the enterprise zone mechanism should not be used merely to hand out tax breaks to friends and family.

Digested 2/9/11

# LATE TESTIMONY

## Testimony in Support of SB 112, SB 165, SB 1496

Date: 10 February 2011

Submitted by: Joseph E. Ciotti, PhD  
Director, Center for Aerospace Education  
Hawai'i Teacher-in-Space/NASA Ambassador  
Windward Community College

Dear Members of the Twenty-Sixth Legislature:

I am pleased to provide testimony in strong support of SB 112, SB 165 and SB 1496—all three of which address the strategic and timely growth of aerospace industry in the State of Hawai'i.

I've been intimately involved with space education in Hawai'i for over 40 years and can personally testify to the significant impact that past and recent commitments to this endeavor have had on our youth and the welfare of our State. I've witnessed this through my decades of teaching astronomy and space science at both the secondary and college level, through my extensive K-12 and community outreach efforts at Windward Community College's Center for Aerospace Education which has reached over 300,000 people, through the rocketry projects my Hawai'i Space Grant students continue to undertake, and through over forty years of experience I enjoyed at all three planetariums in Hawai'i—including designing and constructing two of them.

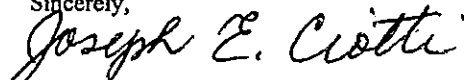
Following in the wake of its rich seafaring heritage, Hawai'i has already undertaken bold spacefaring ventures. From world-class astronomical observatories ... to NASA-sponsored *in situ* rehearsals of manned and robotic space missions ... to its role in international airline transportation and potential future space tourism, Hawai'i is uniquely poised for significant economic growth through the leadership choices it makes regarding the aerospace industry.

Hawai'i is currently perched to assume a prominent role in aerospace research and technology. The decisions made today by the Twenty-Sixth Legislature will determine the flight path our State will follow in a field that has potential for major positive impact on its economy. By committing to the development of a spaceplane launch/landing facilities in Hawai'i (SB 112), operation of space exploration and lunar research related activities as eligible local business (SR 1496), and support for the Office of Aerospace Development to carry out this bold and far-reaching vision (SR165), Hawai'i will have laid its claim as the crossroads along this major space highway.

By recognizing aerospace as a strategic industry in Hawai'i, passage of these Senate Bills will provide the urgently needed support and boost to DBEDT's Office of Aerospace Development in fulfilling its responsibility to oversee the economic growth of this fast-paced and strategically important industry in Hawai'i.

I strongly support SB 112, SB 165 and SB 1496.

Sincerely,



Joseph E. Ciotti, PhD

Professor, Physics, Astronomy & Mathematics  
Director, Center for Aerospace Education  
Hawai'i-Teacher-in-Space/NASA Space Ambassador  
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