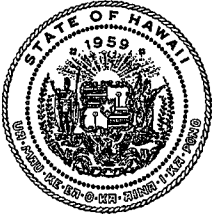


SB 1496



NEIL ABERCROMBIE
GOVERNOR

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Statement of

RICHARD C. LIM
Interim Director

Department of Business, Economic Development & Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

Thursday, February 24, 2011

9:00 a.m.

State Capitol, Conference Room 211

in consideration of

SB 1496

RELATING TO ENTERPRISE ZONES.

Chair Ige, Vice Chair Kidani, and members of the Committees. The department supports the intent of SB 1496 to amend the definition of “eligible business activities” for “enterprise zones” in Section 209E-2, Hawaii Revised Statutes, to include “development and operation of space exploration and lunar research related activities”.

As noted in SB 165 and HB 1363 in the current session, as well as in HCR 123 from the 2010 Session, aerospace is a strategic and timely growth industry for Hawaii. Our department is now working to build public-private partnerships and attract substantial international business investments to Hawaii that can help expand and diversify aerospace activities statewide.

One such initiative is an ongoing effort by the Pacific International Space Center for Exploration Systems (PISCES) at the University of Hawaii at Hilo to develop a prototype lunar

outpost on the Big Island that can support research and development of new space technologies, train both students and aerospace professionals to engage in future space missions, and ultimately help establish a sustainable multinational research park on the lunar surface. This program will bring multiple scientific, educational and commercial benefits to residents statewide, as well as establish Hawaii as a global leader in space exploration.

SB1496 would help catalyze the multinational partnerships and international investments required to enable this outstanding program to succeed. As such, I would strongly encourage your support for this measure.

Thank you for the opportunity to testify on this bill.

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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