

JAN 21 2011

S.B. NO. 745

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 eight 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 one
7 hundred seventy-eight thousand 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 \$272,000,000. The calculated output based on this local
17 spending is \$504,000,000. This amount of local spending would
18 also generate \$161,000,000 in earnings and 2,978 full-time-



1 equivalent person-years of jobs. This is equivalent to one
2 hundred twelve full-time jobs for twenty-six and a half years.

3 Furthermore, this project will generate additional revenues
4 for the State over its more than twenty-five-year life. The
5 downtown Honolulu seawater air conditioning project is a new
6 project that will generate an estimated \$16,961,000 in
7 additional tax revenue during the calendar year period from 2011
8 to 2013. During this same period, this project will be eligible
9 for \$811,000 in enterprise zone benefits after the construction
10 period. Therefore, the net fiscal benefit to the State during
11 this period will be \$16,150,000. If this project is not
12 completed, there will be a net revenue loss to the State of
13 \$16,150,000. During its lifetime, the system would generate
14 \$27,300,000 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 "eligible business
20 activity" to read as follows:

21 "Eligible business activity" means the:



- 1 (1) Manufacture of tangible personal property, the
2 wholesale sale of tangible personal property as
3 described in section 237-4, or a service business as
4 defined in this section;
- 5 (2) Production of agricultural products where the business
6 is a producer as defined in section 237-5, or the
7 processing of agricultural products, all or some of
8 which were grown within an enterprise zone;
- 9 (3) Research, development, sale, or production of all
10 types of genetically-engineered medical, agricultural,
11 or maritime biotechnology products; [~~or~~]
- 12 (4) Production of electric power from wind energy for sale
13 primarily to a public utility company for resale to
14 the public[~~-~~]; or
- 15 (5) Production of air conditioning from a seawater air
16 conditioning district cooling system."

17 SECTION 3. Section 209E-11, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "**§209E-11 State general excise exemptions.** The department
20 shall certify annually to the department of taxation that any
21 qualified business is exempt from the payment of general excise
22 taxes on the gross proceeds from an eligible business activity

1 as defined in this chapter; provided that agricultural
2 businesses other than those engaged in the production of
3 genetically-engineered agricultural products shall not be exempt
4 from the payment of general excise taxes on the gross proceeds
5 of agricultural retail sales. The gross proceeds received by a
6 contractor licensed under chapter 444 shall be exempt from the
7 general excise tax for construction within an enterprise zone
8 performed for a qualified business within an enterprise zone or
9 a business that has been approved by the department to enroll
10 into the enterprise zone program[-]; provided that the gross
11 proceeds received by a contractor licensed under chapter 444 in
12 connection with the construction of a seawater air conditioning
13 district cooling system shall not be exempt from the general
14 excise tax. The exemption shall extend for a period not to
15 exceed seven years; provided that for qualified businesses
16 engaged in the manufacturing of tangible personal property or
17 the producing or processing of agricultural products, the
18 exemption shall extend for a period not to exceed ten years;
19 provided further that if a force majeure event occurs, then the
20 period of time shall be tolled until the force majeure event
21 ceases."



1 SECTION 4. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect upon its approval.

4

INTRODUCED BY: Card Furumaga



Report Title:

Enterprise Zones; Seawater Air Conditioning Cooling System

Description:

Allows the sale of cooling from seawater air conditioning district cooling systems (SWAC) to qualify for state enterprise zone benefits. Establishes that contractors working on SWAC shall not be exempt from the general excise tax.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

