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# 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 is  
9 expected to generate millions of dollars in construction project  
10 spending and create a significant amount of long-term gainful  
11 employment. Other local economic development benefits will  
12 accrue from money that is not exported outside the State to  
13 purchase oil but rather is circulated in the local economy.

14           During the lifetime of this cooling system, local spending  
15 would exceed \$272,000,000. The calculated output based on this  
16 local spending is \$504,000,000. This amount of local spending  
17 would also generate \$161,000,000 in earnings and 2,978 full-



1 time-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,  
5 including an estimated \$16,961,000 in additional tax revenue  
6 during the calendar year period from 2011 to 2013. During this  
7 same period, this project will be eligible for \$811,000 in  
8 enterprise zone benefits after the construction period.

9 Therefore, the net fiscal benefit to the State during this  
10 period will be \$16,150,000. If this project is not completed,  
11 there will be a net revenue loss to the State of \$16,150,000.  
12 During its lifetime, the system would generate \$27,300,000 in  
13 new state taxes.

14 The purpose of this Act is to assist seawater air  
15 conditioning district cooling systems by allowing the systems to  
16 benefit from the State's enterprise zone program.

17 SECTION 2. Section 209E-2, Hawaii Revised Statutes, is  
18 amended by amending the definition of "eligible business  
19 activity" to read as follows:

20 "Eligible business activity" means the:

21 (1) Manufacture of tangible personal property, the  
22 wholesale sale of tangible personal property as



1 described in section 237-4, or a service business as  
2 defined in this section;

3 (2) Production of agricultural products where the business  
4 is a producer as defined in section 237-5, or the  
5 processing of agricultural products, all or some of  
6 which were grown within an enterprise zone;

7 (3) Research, development, sale, or production of all  
8 types of genetically-engineered medical, agricultural,  
9 or maritime biotechnology products; [~~or~~]

10 (4) Production of electric power from wind energy for sale  
11 primarily to a public utility company for resale to  
12 the public[-]; or

13 (5) Production of air conditioning from a seawater air  
14 conditioning district cooling system."

15 SECTION 3. Section 209E-11, Hawaii Revised Statutes, is  
16 amended to read as follows: /

17 "**§209E-11 State general excise exemptions.** The department  
18 shall certify annually to the department of taxation that any  
19 qualified business is exempt from the payment of general excise  
20 taxes on the gross proceeds from an eligible business activity  
21 as defined in this chapter; provided that agricultural  
22 businesses other than those engaged in the production of



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

20 SECTION 4. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.

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

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**Report Title:**

Enterprise Zones; Seawater Air Conditioning Cooling System

**Description:**

Allows the sale of air conditioning produced 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. (SD1)

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

