

HB 1950 HD2

Allows the production of air conditioning in an area or district from a seawater air conditioning cooling system to benefit as an "eligible business activity" under the State's enterprise zones program. Effective July 1, 2030.
(HB1950 HD2)

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Economic Development, Government
Operations and Housing

The Honorable Mike Gabbard, Chair
and Members of the Senate Committee on Energy and Environment

Date: Wednesday, March 19, 2014
Time: 2:45 p.m.
Place: Conference Room 016, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. No. 1950, H.D. 2, Re lating to Seawater Air Conditioning

The Department of Taxation (Department) offers comments with respect to H.B. 1950, H.D. 2, for your consideration.

This measure qualifies the production of air conditioning in an area or district from a seawater air conditioning cooling system as an "eligible business activity" under the State's enterprise zone program, thereby enabling the business (among other things) to be eligible for the various tax incentives of the program. The measure has a defective effective date of July 1, 2030.

The Department defers to the Department of Business, Economic Development, and Tourism on the merits of this measure.

The Department notes that in order to qualify for the tax incentives of the Enterprise Zone program, a qualified service business would need to sell its services from a location within an enterprise zone. If the qualified business is selling tangible personal property, delivery must also be to a business located in an enterprise zone within the same county that the qualified business is established in. The delivery of tangible personal property to customers outside of an enterprise zone would not qualify for the exemption.

In addition, to qualify for the general excise tax exemption for construction activities for an enterprise zone business, the construction activities must take place for the qualified business within an enterprise zone.

Thank you for the opportunity to provide comments.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Expand enterprise zone eligibility

BILL NUMBER: HB 1950, HD-2

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 209E-2 to amend the definition of "eligible business activity" in an enterprise zone to include the production of air conditioning from a seawater air conditioning cooling system in an area or district.

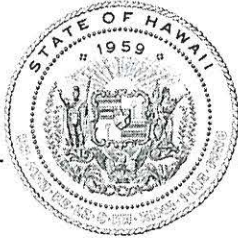
EFFECTIVE DATE: July 1, 2030

STAFF COMMENTS: This measure proposes to expand enterprise zone laws to include a business that produces air conditioning from a seawater air conditioning district cooling system. 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 commit to maintain or increase head count within the zone and may claim a tax credit on a sliding scale based on income taxes and state unemployment insurance contributions for a period of seven years. The sale of items sold by such businesses within the zone, and contracting activity within the zone, are exempt from the general excise tax.

The bill's apparent beneficiary, in previous testimony, mentioned that the project would generate \$200 million in construction spending on Oahu. Thus, the fiscal impact would be at least \$9 million (\$200 million x 4.5%) counting only the contracting activity exemption.

Concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses. Government is still responsible 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.

Digested 3/13/14



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
RICHARD C. LIM
Director

Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
GOVERNMENT OPERATIONS AND HOUSING**

Wednesday, March 19, 2014
2:45 p.m.
State Capitol, Conference Room 016

in consideration of
HB 1950 HD 2
RELATING TO SEAWATER AIR CONDITIONING.

Chairs Gabbard and Dela Cruz, Vice-Chairs Ruderman and Slom and Members of the Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) opposes HB 1950,HD1, in its current form, which adds “production of air conditioning in an area or district from a seawater air conditioning system” to the list of business activities eligible for the Enterprise Zone GET exemption and income tax credits for seven years.

The primary mission of DBEDT’s Enterprise Zone program is to encourage the development of long-term, full-time jobs for local residents in Hawaii’s economically disadvantaged areas. The production of air conditioning from seawater air conditioning systems, as we understand it, is not a major contributor to long-term, full-time jobs.

We defer to the Department of Taxation on the fiscal impact of this measure. Thank you for the opportunity to provide these comments.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Economic Development, Government
Operations and Housing and Committee on Energy and Environment
Wednesday, March 19, 2014 at 2:45 P.M.
Conference Room 016, State Capitol**

RE: HOUSE BILL 1950 HD2 RELATING TO SEAWATER AIR CONDITIONING

Chairs Dela Cruz and Gabbard, Vice Chairs Slom and Ruderman, and Members of the
Committees:

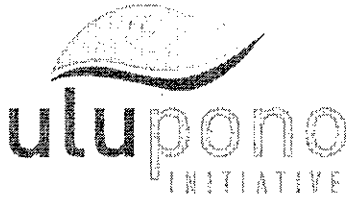
The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 1950 HD2, which allows the production of air conditioning in an area or district from a seawater air conditioning cooling system to benefit as an "eligible business activity" under the State's enterprise zones program.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill provides support to seawater air conditioning by allowing production to qualify for state enterprise zone benefits. Enterprise zones were designed to attract investment into an area to stimulate the economy and create jobs. Seawater air conditioning is an innovative approach that would replace inefficient cooling systems with a system that utilizes cold deep seawater – a resource readily available to our island state.

HB 1950 HD2 would provide benefits to reduce the high costs associated with converting to renewable energy sources. In converting to renewable energy resources, green technology becomes more readily available to customers and helps create a more sustainable state.

Thank you for the opportunity to testify.



SENATE COMMITTEES ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS, & HOUSING AND
ENERGY & ENVIRONMENT

Wednesday, March 19, 2014 – 2:45 p.m. – Room 16

Ulupono Initiative Strongly Supports HB 1950 HD 2, Relating to Seawater Air Conditioning

Dear Chair Dela Cruz, Vice Chair Slom, Chair Gabbard, Vice Chair Ruderman and Members of the Committees:

My name is Murray Clay and I am managing partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

Ulupono strongly supports HB 1950 HD 2, which will allow the production of air conditioning in an area from a seawater air conditioning cooling system to benefit as an “eligible business activity” under the State’s enterprise zones program. We support HSWAC’s request because we believe seawater air conditioning technology is proven and will help replace the energy-intensive central refrigeration system of a traditional air-conditioning system. HSWAC is targeting buildings that could benefit from substantial savings on electricity and water consumption, system replacement costs, and maintenance costs. By using 44 degree seawater instead of electricity to cool buildings, electricity costs can be cut by 75% and save an estimated 77 million kilowatt-hours of power a year. That is enough to power more than 10,000 homes a year and eliminate the need to burn 178,000 barrels of oil a year.

This technology is known to provide substantial savings of energy and fresh water, both of which are critical to our economy and sustainability. HSWAC will reduce potable water consumption for air conditioning by 260 million gallons and avoids 84,000 tons of carbon dioxide (15,000 cars). In addition, it will also help the State move closer to its HCEI clean energy goals and support Hawai'i’s vital tourism industry.

Since this project has potential to greatly benefit the State, we feel this bill should qualify under the State’s enterprise zone program. This designation will help to spur greater success in energy efficiency projects that can help Hawai'i become less dependent on imported fossil fuels.

Ulupono Initiative seeks to promote and invest in innovative sustainability ideas and business models that have the potential to make a significant difference for Hawai'i. We work with, and invest in, businesses that show this potential for innovation. We strive to invest in ideas and inspiration born in Hawai'i while using technologies and models that can be replicated for global applicability.

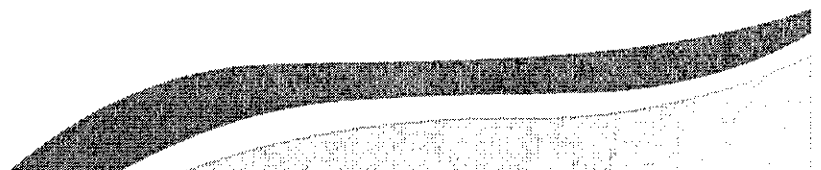
Thank you for this opportunity to testify.

Respectfully,

Pacific Guardian Center, Mauka Tower
737 Bishop Street, Suite 2350, Honolulu, HI 96813

303 544 8360 o | 303 544 8361 f

www.ulupono.com



Murray Clay
Managing Partner

Email: communications@ulupono.com

From: mailinglist@capitol.hawaii.gov
To: [EGHTestimony](#)
Cc: tjsmyth6@aol.com
Subject: *Submitted testimony for HB1950 on Mar 19, 2014 14:45PM*
Date: Wednesday, March 12, 2014 4:02:05 PM

HB1950

Submitted on: 3/12/2014

Testimony for EGH/ENE on Mar 19, 2014 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Tom Smyth	Individual	Support	Yes

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

From: mailinglist@capitol.hawaii.gov
To: [EGHTestimony](#)
Cc: psgegen@hotmail.com
Subject: Submitted testimony for HB1950 on Mar 19, 2014 14:45PM
Date: Wednesday, March 12, 2014 8:25:12 PM

HB1950

Submitted on: 3/12/2014

Testimony for EGH/ENE on Mar 19, 2014 14:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
pat gegen	Individual	Comments Only	No

Comments: Excellent project that will save downtown businesses money, create a more sustainable energy portfolio, and is an excellent use of Hawaii's natural resources. Working together to improve our lives and environment!

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov