

H.B. NO. 2299

A BILL FOR AN ACT

RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 209E-2, Hawaii Revised Statutes, is
2 amended by amending the definition of "eligible business
3 activity" to read as follows:

4 ""Eligible business activity" means the:

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

H.B. NO. 2299

1 (5) Production of energy from solar, ocean thermal energy
2 conversion, or hydrogen on real property within an
3 enterprise zone and under the control of the natural
4 energy laboratory of Hawaii authority pursuant to a
5 new lease executed on or after July 1, 2016."

6 SECTION 2. This act does not affect rights and duties that
7 matured, penalties that were incurred, and proceedings that were
8 begun before its effective date.

9 SECTION 3. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY:



14

BY REQUEST

15

JAN 25 2016

H.B. NO. 2299

Report Title:

Natural Energy Laboratory of Hawaii Authority; Enterprise Zone Incentives; Renewable Energy Technology

Description:

Provides Enterprise Zone incentives for qualified renewable energy technology business activity on real property owned by the Natural Energy Laboratory of Hawaii Authority.

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

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY.

PURPOSE: To make businesses producing renewable energy within research and technology parks established by the Natural Energy Laboratory of Hawaii Authority (NELHA) eligible for the State's enterprise zone (EZ) program.

MEANS: Amends section 209E-2, Hawaii Revised Statutes.

JUSTIFICATION: Businesses producing renewable energy within research and technology parks established by NELHA would be eligible for the State's EZ program. This bill would also assist NELHA in attracting new projects to its technology park, and will broaden the scope of businesses eligible for EZ benefits within NELHA's technology park.

NELHA recently adopted a new Master Plan for the Hawaii Ocean Science and Technology Park. Much of the remaining lands available for lease are in zones designated for renewable energy and applied technology. Chapter 209E currently allows businesses engaged in producing wind energy only to be qualified as eligible for EZ benefits. Many new businesses and projects that NELHA is targeting for leases focus on solar, ocean thermal energy conversion, and hydrogen renewable energy production that do not qualify for EZ status given the current narrow definition.

Impact on the public: Assists businesses in renewable energy sector and increases potential for job growth in West Hawaii.

Impact on the department and other agencies:

If successful, the Department of Business, Economic Development, and Tourism's (DBEDT's) EZ program will see an increase in applications for EZ status. It is important to note that while this bill allows for businesses in renewable energy at NELHA's technology park to be eligible for EZ status, DBEDT will still need to qualify businesses for EZ status under existing rules and regulations.

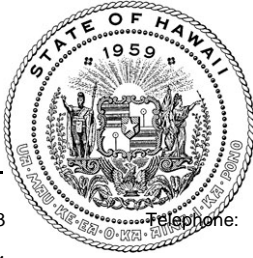
GENERAL FUND: Potential to decrease tax revenue slightly in the short-term. However, it is anticipated that this bill will assist in attracting new businesses to the State and creating new businesses. It is important to note that this measure is restricted to new leases signed after the effective date. It does not apply to existing businesses. In this regard, impact is minimal.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: BED-146.

OTHER AFFECTED AGENCIES: Department of Taxation.

EFFECTIVE DATE: Upon approval.



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DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

Statement of LUIS P. SALAVERIA

Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

Tuesday, February 09, 2016

9:00 am

State Capitol, Conference Room 312

In consideration of

HB 2299

RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY.

Chair Kawakami, Vice-Chair Kong, and members of the Committee. The Department of Business, Economic Development, and Tourism (DBEDT) **supports** HB 2299. This administration bill provides special Enterprise Zone incentives, limited only to renewable energy companies involved in solar, ocean thermal energy conversion, and hydrogen, and only within the control and property boundaries of the Natural Energy Laboratory of Hawaii Authority (NELHA) on new leases executed on or after July 1, 2016. The purpose of this measure is to provide NELHA with an economic development incentive to recruit new companies to its facilities.

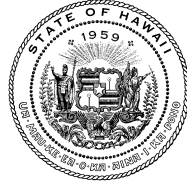
NELHA is currently located in an approved Enterprise Zone. This measure expands the definition of renewable energy companies approved for the EZ benefits, but only if the firm is located in NELHA.

DBEDT defers to the Department of Taxation for the State revenue implications of this bill.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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To: The Honorable Derek S.K. Kawakami, Chair
and Members of the House Committee on Economic Development and Business

Date: February 9, 2016

Time: 9:00 A.M.

Place: Conference Room 312, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 2299, Relating to the Natural Energy Laboratory of Hawaii Authority

The Department of Taxation (Department) supports H.B. 2299, an Administration measure, and offers the following comments for the Committee's consideration.

H.B. 2299 expands the definition of "eligible business activity" for the purposes of the Enterprise Zone program to include production of energy from various sources within an enterprise zone and under the control of the natural energy laboratory of Hawaii authority.

The Department defers to the Department of Business, Economic Development, and Tourism regarding the merits of this change. The Department notes that the site of the Natural Energy Laboratory of Hawaii Authority is located within an existing Enterprise Zone.

Thank you for the opportunity to provide comments.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism

Statement of
Gregory P. Barbour
Executive Director
Natural Energy Laboratory of Hawaii Authority
before the

COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

Tuesday, February 9, 2016
9:00am
State Capitol, Conference Room 312

in consideration of
H.B. 2299
RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY.

The Natural Energy Laboratory of Hawaii Authority (NELHA) strongly supports H.B. 2299 that amends Chapter 209E-2, Hawaii Revised Statutes, by adding language that would make businesses producing renewable energy from various sources within research and technology parks established by NELHA eligible for the State's enterprise zone program. This measure is an Administration bill and would assist NELHA in attracting new projects to our technology park.

This measure will broaden the scope of businesses eligible for EZ benefits within our technology park. We recently adopted a new Master Plan for the Hawaii Ocean Science and Technology Park. Much of the remaining lands available for lease are in zones designated for renewable energy and applied technology. Chapter 209E currently allows businesses engaged in producing wind energy only to be qualified as eligible for EZ benefits. Many new businesses and projects focused on solar, ocean thermal energy conversion and hydrogen renewable

energy production that we are targeting may not qualify for EZ status given the current narrow definition.

We have been successful because the Legislature has given us the “tools” to allow us to succeed. This measure will add an additional tool to help us realize the goals of growing our economic development project and increasing the \$5M in annual State tax revenue that the park already generates.

Thank you for the opportunity to offer these comments.