

Honolulu, Hawaii

February 17, 2017

RE: H.B. No. 784  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Ninth State Legislature  
Regular Session of 2017  
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred H.B. No. 784 entitled:

"A BILL FOR AN ACT RELATING TO ENTERPRISE ZONES,"

begs leave to report as follows:

The purpose of this measure is to expand the existing Enterprise Zone Program by:

- (1) Allowing businesses that provide renewable energy infrastructure for agricultural producers and meet specified growth targets to participate in the Enterprise Zone program under the same terms as an agricultural producer;
- (2) Providing for the designation of up to six areas in each county as Agricultural Enterprise Zones until the state constitutional mandate of increased agricultural self-sufficiency has been achieved;
- (3) Specifying an additional metric for measuring growth of an agricultural producer for eligibility to participate in the Enterprise Zone program;



- (4) Reducing the length of time that manufacturers of tangible personal property can claim the Enterprise Zone business tax credit from ten years to seven years;
- (5) Allowing the Enterprise Zone business tax credit to be carried forward into future tax years; and
- (6) Allowing agricultural producers and businesses that provide renewable energy infrastructure for agricultural producers to claim eighty percent of the Enterprise Zone business tax credit as long as certain kinds of investments are made.

The Hawaii Farm Bureau, Hawaii Crop Improvement Association, Maui County Farm Bureau, Hawaii Floriculture and Nursery Association, and several individuals supported this measure. The Department of Agriculture supported the intent of this measure. The Department of Business, Economic Development and Tourism, Department of Taxation, Department of the Attorney General, and Tax Foundation of Hawaii provided comments.

Your Committee has amended this measure by deleting its substantive contents and adopting the proposed amendments offered by the Hawaii Farm Bureau. As amended, this measure:

- (1) Requires agricultural producers to have at least 50 percent of its production to occur within the enterprise zones located within the same county to be eligible for designation as a qualified business in an enterprise zone; and
- (2) Extends the tax credit eligibility periods in enterprise zones for agricultural producers to six years.

Your Committee has further amended this measure by changing its effective date to January 28, 2081, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 784, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 784, H.D. 1.



Respectfully submitted on  
behalf of the members of the  
Committee on Energy &  
Environmental Protection,



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CHRIS LEE, Chair



