

HB-1863-HD-1

Submitted on: 1/30/2018 11:03:39 AM

Testimony for EDB on 2/2/2018 8:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Randall Francisco	County of Kauai	Support	No

Comments:

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
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STATE OF HAWAII
DEPARTMENT OF TAXATION
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To: The Honorable Cindy Evans, Chair
and Members of the House Committee on Economic Development and Business

Date: Friday, February 2, 2018
Time: 8:45 A.M.
Place: Conference Room 309, State Capitol

Re: H.B. 1863, H.D.1, Relating to Economic Development

The Department of Taxation (Department) appreciates the intent of the measure to increase employment in economically depressed areas by designating an additional enterprise zone in each county for manufacturing. The Department defers to the Department of Business, Economic Development, and Tourism (DBEDT) on the merits of this bill and provides the following additional comments regarding H.D. 1 for your consideration. The measure is effective on July 1, 2018.

First, the Department notes that manufacturing of tangible personal property is already a qualified business activity under Hawaii Revised Statutes (HRS) section 209E-2, and it is not clear how this measure will encourage additional businesses to enter the enterprise zone program.

Under HRS section 209E-10, DBEDT certifies that a participant is entitled to the tax credits and exemption from the general excise tax. Only after receiving such certification can a taxpayer claim the tax benefits. As the regulatory agreements and the eligibility determinations remain with DBEDT, this measure will not have a substantial administrative impact on the Department.

Finally, the Department will be able to implement this measure with its current effective date. Thank you for the opportunity to provide comments.



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

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Friday, February 2, 2018
8:45 pm
State Capitol, Conference Room 309

in consideration of
HB 1863, HD1
RELATING TO ENTERPRISE ZONES.

Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic Development & Business.

The Department of Business, Economic Development, and Tourism (DBEDT) **supports the intent** of HB 1863, HD1, which authorizes the Governor to designate an enterprise zone dedicated to manufacturing in each county.

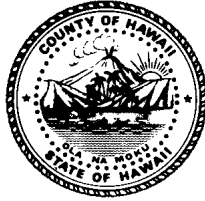
Manufacturing is currently an eligible business activity of the Enterprise Zone (EZ) program. In fact, manufacturing companies along with wholesaling and agricultural companies already comprise a substantial portion of the companies in the EZ program.

Encouraging manufacturing is an important economic development and sustainability goal. This measure may support additional manufacturing in certain parts of each county that are currently ineligible to be an enterprise zone under current EZ program rules. DBEDT supports the intent of the bill so long as it does not either replace or adversely impact the Administration's priorities.

We defer to the Department of Taxation for the fiscal impact of this measure on the state budget.

Thank you for the opportunity to provide this testimony.

Harry Kim
Mayor



LATE

Diane L. Ley
Director

Ron Whitmore
Deputy Director

County of Hawai'i

DEPARTMENT OF RESEARCH AND DEVELOPMENT

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February 1, 2018

Honorable Cindy Evans, Chair
Honorable Jarrett Keohokalole, Vice Chair
and Committee Members
Committee on Economic Development & Business
House of Representatives
State of Hawaii

SUBJECT: HB1863, HD1 relating to Enterprise Zones

Committee Chair Evans, Vice Chair Keohokalole and Committee Members,

Thank you for the opportunity for the County of Hawaii to offer comments on HB1863, HD1 relating to Enterprise Zones.

The County would respectfully recommend that should this bill move forward that 209E-4(C) will provide for the counties to initiate any request to the Department of Business, Economic Development and Tourism for further consideration and recommendation to the Governor. As with the balance of the Enterprise Zone Program, it is essential that the counties be afforded appropriate input to guide development and business expansion within their communities.

Sincerely,

A handwritten signature in cursive script that reads "Diane Ley".

Diane Ley
Director



LATE

Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committee on Economic Development & Business
Friday, February 2, 2018 at 8:45 A.M.
Conference Room 309, State Capitol**

RE: HOUSE BILL 1863 HD1 RELATING TO ENTERPRISE ZONES

Chair Evans, Vice Chair Keohokalole, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 1863 HD1, which authorizes the Governor to designate an enterprise zone dedicated to manufacturing in each county.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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.

A few years ago, we launched the Manufacturing in Hawaii Initiative in an effort to make products in Hawaii and to promote the Hawaii brand via export opportunities. We have a growing industry many of which are in the zones.

Enterprise zones are designed to attract investment into an area to stimulate the economy and create jobs. Many of these zones have allowed businesses to grow and contributed economic activity to the respected zones.

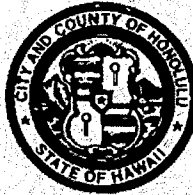
We believe that dedicating more space for enterprise zones in each county will provide additional opportunities and expansion for economic growth and jobs especially for the manufacturing industry.

We respectfully ask that the committee pass this measure.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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EUGENE H. TAKAHASHI
DEPUTY DIRECTOR

February 2, 2018

LATE TESTIMONY

The Honorable Chair Cindy Evans
and Members of the Committee on Economic
Development and Business
Hawaii House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Late

Dear Chair Evans, and Committee Members:

Subject: House Bill No. 1863 HD 1
Relating to Enterprise Zones

The Department of Planning and Permitting (DPP) **opposes** House Bill No. 1863, HD 1, on the basis of home rule. The Bill would allow the governor to unilaterally designate one enterprise zone per county in the interest of promoting economic development through manufacturing.

The City is not opposed to the enterprise zone program, nor necessarily establishing one focused on manufacturing. We already have adopted the maximum number of enterprise zones allowed, six.

We are opposed to the process outlined in the Bill. It ignores the long-standing procedure led by the counties. At minimum, the Bill needs to be amended to recognize the participation of the applicable county. It should also clarify that the counties may still decide what county incentives may be appropriate for the governor's enterprise zone.

We ask that House Bill No. 1863, HD1, be deferred or amended to reflect the above requests.

Thank you for the opportunity to testify.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kathy K. Sokugawa".

Kathy K. Sokugawa
Acting Director