
A BILL FOR AN ACT

RELATING TO BUSINESS DEVELOPMENT AT BARBERS POINT.

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

1 SECTION 1. The legislature finds the federal Tax Cuts and
2 Job Act authorized a community economic development program
3 called the Opportunity Zones Program to encourage long-term
4 investments in economically distressed communities nationwide.

5 The legislature also finds the program provides for
6 incentives for investors to re-invest unrealized capital gains
7 into "opportunity funds" established by the private sector in
8 exchange for temporary tax deferral and other tax benefits.

9 Hawaii has nominated, and the United States Department of
10 Treasury has already designated, twenty-five census tracts as
11 opportunity zones. One of these is the Kalaeloa district. The
12 former Naval Air Station at Barbers Point is in the Kalaeloa
13 district. Barbers Point was decommissioned by the navy in 1998
14 and turned over to the State of Hawaii.

15 The legislature further finds Barbers Point has the
16 potential for business development but needs upgrades to its
17 infrastructure, especially its electrical system, as the area



1 presently utilizes its own electrical grid. The need for these
2 costly upgrades at Barber's Point has hindered development.

3 The purpose of this act is to incentivize investments in
4 the area for business development and housing and to incentivize
5 businesses or owner occupants who invest in electrical and water
6 upgrades at Barbers Point.

7 SECTION 2. Chapter 237 SECTION 23, Hawaii Revised
8 Statutes, is amended to read as follows:

9 "§237-23 Exemptions, persons exempt, applications for
10 exemption. (a) This chapter shall not apply to the following
11 persons:

12 (1) Public service companies as that term is defined in
13 section 239-2, with respect to the gross income,
14 either actual gross income or gross income estimated
15 and adjusted, that is included in the measure of the
16 tax imposed by chapter 239;.

17 (2) Public utilities owned and operated by the State or
18 any county, or other political subdivision thereof;

19 (3) Fraternal benefit societies, orders, or associations,
20 operating under the lodge system, or for the exclusive
21 benefit of the members of the fraternity itself,



1 operating under the lodge system, and providing for
2 the payment of death, sick, accident, a legal service
3 plan, or other benefits to the members of the
4 societies, orders, or associations, and to their
5 dependents;

6 (4) Corporations, associations, trusts, or societies
7 organized and operated exclusively for religious,
8 charitable, scientific, or educational purposes, as
9 well as that of operating senior citizens housing
10 facilities qualifying for a loan under the laws of the
11 United States as authorized by section 202 of the
12 Housing Act of 1959, as amended, as well as that of
13 operating a legal service plan, as well as that of
14 operating or managing a homeless facility, or any
15 other program for the homeless authorized under part
16 XVII of chapter 346;

17 (5) Business leagues, chambers of commerce, boards of
18 trade, civic leagues, agricultural and horticultural
19 organizations, and organizations operated exclusively
20 for the benefit of the community and for the promotion
21 of social welfare that shall include the operation of



1 a legal service plan, and from which no profit inures
2 to the benefit of any private stockholder or
3 individual;

4 (6) Hospitals, infirmaries, and sanitararia;

5 (7) Companies that provide potable water to residential
6 communities that lack any access to public utility
7 water services and are tax exempt under section
8 501(c)(12) of the Internal Revenue Code of 1986, as
9 amended;

10 (8) Cooperative associations incorporated under chapter
11 421 or Code section 521 cooperatives which fully meet
12 the requirements of section 421-23, except Code
13 section 521 cooperatives need not be organized in
14 Hawaii; provided that:

15 (A) The exemption shall apply only to the gross
16 income derived from activities that are pursuant
17 to purposes and powers authorized by chapter 421,
18 except those provisions pertaining to or
19 requiring corporate organization in Hawaii do not
20 apply to Code section 521 cooperatives;



1 (B) The exemption shall not relieve any person who
2 receives any proceeds of sale from the
3 association of the duty of returning and paying
4 the tax on the total gross proceeds of the sales
5 on account of which the payment was made, in the
6 same amount and at the same rate as would apply
7 thereto had the sales been made directly by the
8 person, and all those persons shall be so
9 taxable; and

10 (C) As used in this paragraph, "Code section 521
11 cooperatives" mean associations that qualify as a
12 cooperative under section 521 (with respect to
13 exemption of farmers' cooperatives from tax) of
14 the Internal Revenue Code of 1986, as amended;

15 (9) Persons affected with Hansen's disease and kokuas,
16 with respect to business within the county of Kalawao;

17 (10) Corporations, companies, associations, or trusts
18 organized for the establishment and conduct of
19 cemeteries no part of the net earnings of which inures
20 to the financial benefit of any private stockholder or
21 individual; provided that the exemption shall apply



1 only to the activities of those persons in the conduct
 2 of cemeteries and shall not apply to any activity the
 3 primary purpose of which is to produce income, even
 4 though the income is to be used for or in the
 5 furtherance of the exempt activities of those persons;
 6 and

7 (11) Nonprofit shippers associations operating under part
 8 296 of the Civil Aeronautics Board Economic
 9 Regulations.

10 (12) Businesses investing over \$500,000 over a ten-year
 11 period and creating a minimum of fifty job positions
 12 for the purpose of business development at Barbers
 13 Point, located in the opportunity zone of Kalaeloa
 14 District.

15 SECTION 3. Section 235, Hawaii Revised Statutes, is
 16 amended by adding a new section to part VI to be appropriately
 17 designated and to read as follows:

18 "§235- Barbers Point Upgrade Tax Credit. (a) There
 19 shall be allowed to each qualified taxpayer subject to the tax
 20 imposed under this chapter, an income tax credit for upgrading
 21 the electrical and/or water systems at Barbers Point in the



1 Kalaeloa opportunity zone that shall be deductible from the
2 taxpayer's net income tax liability, if any, imposed by this
3 chapter for the taxable year in which the credit is properly
4 claimed.

5 (1) The amount of the tax credit shall be equal to the
6 qualified expenses of the qualified taxpayer, up to a
7 maximum of \$50,000 per taxable year.

8 (2) In the case of a partnership, S corporation, estate, or
9 trust, the tax credit allowable is for qualified expenses
10 incurred by the entity for the taxable year. The expenses
11 upon which the tax credit is computed shall be determined
12 by rule.

13 (3) Claims for the tax credit under this section, including
14 any amended claims thereof, shall be filed on or before the
15 end of the twelfth month following the taxable year for
16 which the credit may be claimed.

17 (b) The department of business and economic development in
18 cooperation with the department of taxation shall adopt
19 rules pursuant to chapter 91 establishing criteria for the
20 qualified expenses and businesses developed for which the
21 tax credit is sought under this chapter.

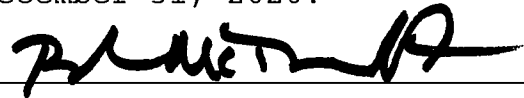


1 (c) The department of business and economic development
2 shall maintain records of the names and addresses of the
3 qualified taxpayers claiming the credits under this section
4 and the total amount of qualified expenses upon which the
5 tax credits are based.

6 SECTION 4. New statutory material is underscored.

7 SECTION 5. This Act, upon its approval, shall take effect
8 for taxable years beginning after December 31, 2020.

INTRODUCED BY:



JAN 17 2020



H.B. NO. 1966

Report Title:

General Excise Tax Exemption; Tax Credit; Businesses
Development; Barbers Point

Description:

Promote and incentivize business development within the Kalaeloa
Opportunity Zone; authorizes GET exemption; provides tax credit
for upgrading infrastructure.

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not legislation or evidence of legislative intent.*

